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FOREIGN AGRICULTURE

June
1981

United States Department of Agriculture Foreign Agricultural Service

PRR/PRR

• U.S. Cotton Gains Ground in World Trade • Nigeria's Growing Farm Market • USSR Plan Implies More Big Grain Imports • U.S. Farm Sales to Japan Head Toward $7 Billion • World Food Prices

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Cover photo: Bangladeshi making wheat somozas, later to be filled with vegetables.

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COMMODITY UPDATE

GRAIN: WORLD 1981 GRAIN PRODUCTION, INCLUDING MILLED RICE, is projected to rise roughly 5 percent from the year-ago level, to 1,508 million metric tons (± 37 million tons), mainly because of expanded area and the likelihood of better yields. Barring poor weather, 1981 production could exceed utilization by about 30 million tons, thus permitting some replenishment of stocks following 2 years of successive declines. However, if weather conditions do not continue favorable in major producing countries, stock levels might not increase and world grain availabilities could continue to be tight.

A larger gain in stocks is projected for wheat than for other grains as increased wheat crops are expected in the United States, the other major exporters, the USSR, and China. Coarse grain stocks are also forecast to rebound, mostly on the strength of expected rises in output in the United States and the Soviet Union. Virtually all of the prospective stocks gain is forecast to occur in the United States and the USSR, and is dependent upon the final crop outturn in these countries.

SUGAR: WORLD PRICES HAVE BEEN ON A DOWNTREND SINCE THEY PEAKED AT 42 cents per pound last October. In mid-May, the price averaged around 15 cents per pound. Prices are thus back in the International Sugar Agreement's price range of 13 to 23 cents. With prices on April 21 at 21 cents, importing members were required to start restricting imports from nonmembers. On May 14, at 16 cents, export quotas went into effect. Those quotas could be reduced if prices go any lower.

FAS's second estimate of the 1980/81 world sugar crop puts production at 86.1 million metric tons, down a million tons from the first estimate but up 2 percent from the 1979/80 crop. With world consumption at 89 million tons, there will be a further stock reduction of 2.9 million tons.

OILSEEDS: WORLD PRODUCTION IN 1980/81 is currently estimated at 163.2 million metric tons, up 900,000 tons from the April estimate. Upward adjustment of world-oilseed-production figures to reflect official Chinese statistics—as reported on April 29, 1981—account for most of the increase.

Current projections anticipate recovery in world oilseed output in 1981/82. World oilseed production is projected at 160-178 million tons. U.S. oilseed production gains should account for most of the increase. Although U.S. area in oilseeds may change little from 1980/81 levels, yields are expected to be well above 1981's drought-reduced figure.

BEEF AND VEAL: PRODUTION IN APPROXIMATELY 50 OF THE MAJOR BEEF and veal producing or trading countries, which declined from 40.2 million metric tons in 1979 to 39.7 million in 1980, is expected to fall again slightly in 1981 to 39.6 million tons. Cattle numbers, on the other hand, are expected to rise in these same countries to 946 million head, up from 937 million in 1980, and 935 million in 1979.

This combination of climbing cattle numbers and declining beef production is indicative of a growth phase in the cattle cycle of many countries. It also indicates the effect of low international beef prices, which have caused some countries to hold cattle off the market until prices improve. As a result, the potential for larger beef supplies is developing in many countries.

World trade in beef and veal in 1981 is expected to remain nearly unchanged from the 1980 level. The United States is expected to show a slight drop in beef imports in 1981, reflecting prices so unattractive to the beef exporting nations that they are holding down on shipments, and weaker production and exports by Australia because of drought conditions there.

STRAWBERRIES: MEXICO'S STRAWBERRY PRODUCTION FOR 1980/81 is expected to decline for the second consecutive year. The crop is currently estimated at 77,000 metric tons—off 7 percent from last year's. Late plantings, heavy rains, and occasional frosts during harvest have significantly lowered yields. These factors appear to have compressed the optimal harvest period to only a few months. Consequently, a large portion of the crop was diverted to the expanding domestic fresh market when volume exceeded processing capacity.

The outlook for 1981 exports suggests smaller shipments in line with the reduced estimate of production. Exports of fresh strawberries in 1981 are estimated at 7,000 tons and exports of frozen (fresh basis) at 34,000 tons. The outlook for the 1981/82 crop is for more of the same types of problems encountered this year. The importation and planting of new stock in greenhouses has again been delayed, and next year's crop will probably also have a very short harvest period.

POULTRY MEAT: DURING 1980, U.S. POULTRY MEAT EXPORTS INCREASED 44 percent, from 238,000 tons to 342,000 tons.

U.S. exports went to such diverse destinations as Nicaragua, where poultry production was profoundly affected by the Civil War; the Dominican Republic, which needed additional meat to offset its devastated swine industry; and Saudi Arabia and Iraq, where oil income is being used to upgrade domestic diets. They also went to Egypt, the largest purchaser of U.S. poultry meat in 1980, receiving almost 48,000 tons; and Japan, where the U.S. share increased in what is traditionally its largest poultry export market.

U.S. poultry exports are continuing to grow in 1981 with early exports particularly high to Japan, Venezuela, and Iraq.

COTTON: WORLD COTTON AREA AND PRODUCTION FOR 1981/82 are projected to be slightly above those of 1980/81. Preliminary forecasts place 1981/82 world cotton production at 68.9 million bales (480 lb net), 5 percent above the 1980/81 level. Most major producing countries anticipate larger 1981/82 production except the Soviet Union—which in 1979/80 and 1980/81 harvested two consecutive record seed cotton crops.

World 1980/81 cotton production has been revised to 65.5 million bales. Declines in production estimates for Argentina, Sudan, and Iran were more than offset by an increase in Chinese production. Current 1980/81 cotton lint production in the USSR is estimated at 14.3 million bales, China at 12.4 million bales, and the United States at 11.1 million bales.

TABLE OLIVES: COLD WEATHER AND UNSEASONAL SNOW IN LATE JANUARY and early February have sharply reduced Greek table olive prospects. According to the Union of Olive Growers' Cooperatives, the 1981 table olive crop will be 20 percent lower than the 100,000 tons estimated by the Ministry of Agriculture before the weather turned bad. The Union estimates the black olive crop at only 60,000 tons and the green olive crop at 20,000 tons. However, a table olive crop of 80,000 tons still would exceed the extremely poor 1979/80 crop by about 60 percent.

In 1979, Greece exported approximately 46,000 tons of table olives. Exports for 1980 are estimated at 40,000 tons, of which an estimated 3,000 tons were exported to the United States. The three principal Greek markets are Italy, Romania, and Saudi Arabia.

Spanish production of exportable-quality table olives in 1980/81 is expected to be down 20 percent from the 123,000 tons packed in 1979/80. Although there is no reduction in the overall crop, the drop in exportable-quality olives was caused by drought conditions in the key producing areas of Seville and Badajoz.

Exports are projected at 74,000 tons for 1980/81, down about 7 percent from the previous year's. Reportedly, rising costs in Spain have practically eliminated the price edge Spanish-packed olives have had over U.S.-packed olives, with the consequence that there is a tendency to ship more bulk olives to the United States for repacking. This also is happening in other markets such as Canada and Italy.

U.S. Cotton Exports Capture Larger Share of Expanding World Imports

By Frank J. Piason and Cleveland H. Marsh

Loading U.S. cotton for export.

Rapid growth in U.S. cotton exports during the past 15 years has enlarged the U.S. share of world cotton trade and given this country a dominant position in the booming Far Eastern market.

U.S. cotton exports in 1967-71 accounted for only 21 percent of world cotton imports—a level that increased to an estimated 32 percent by 1977-81.[1] This strong expansion kept the United States in the lead among world cotton exporters, although the USSR began to close ranks on it in the mid-1970's and now holds about 20 percent of world imports.

Moreover, the 1977-81 figure includes an exceptionally strong performance in 1980, when U.S. cotton exports soared 49 percent above 1979's and accounted for 40 percent of world imports.

While the United States and the USSR have gained ascendance in world trade, several other traditional exporters have reduced their cotton exports. In some cases, these declines have been fostered by Government efforts to encourage production and exports of cotton textiles.

Further comparisons of U.S. exports and world imports show:

- A 72-percent increase in the United States annual cotton exports between 1967-71 and 1977-81[2]—from 3.8 million bales (480 lb net) to 6.5 million, which on trendline works out to 246,000 bales per year;
- A 13-percent gain in world cotton imports during the same period to an

[1] *Because of leods ond logs, world imports ond U.S. exports for o specified period ore not perfectly congruent. These two sets ore used becouse they contoin the most complete dato for oll countries ond do not couse notoble distortions. Specific onnuol import/export levels within the time series ore bosed on the predicted (expected) onnuol trendline volues, unless otherwise noted.*

[2] *Includes the April USDA projections for the 1981 morketing yeor thot runs from August 1, 1980, through July 31, 1981.*

The authors are agricultural economists; Tobacco, Cotton, and Seeds Division; Commodity Programs; FAS.

average 20.1 million bales annually in 1977-81, for an average yearly gain of 232,000 bales.

Import Growth Shifts

Among the cotton importers, the most notable change has been Asia's growing dominance of the market, alongside a corresponding loss of position for Western Europe. Asia's share of world cotton imports rose from 39 percent in 1967-71 to 53 percent in 1977-81, while Western Europe's fell from 33 percent to 24 and Eastern Europe's held steady at 16.

Western Europe's cotton imports fell 19 percent between 1967-71 and 1977-81 to an annual average of 4.8 million bales. Virtually all of the decline occurred in European Community (EC) countries, with an annual decrease of 32,000 bales. Average imports by non-EC countries—notably Spain and Portugal—rose by 19,000 bales annually.

During the 1970's, Western Europe's textile industries became less competitive with those of Asia, reflecting—among other things—rising relative labor costs and the acquisition by Asian countries of fairly simple technology. This, plus a continuing shift into manmade fibers, reduced the need for raw cotton.

In **Eastern Europe** (excluding the USSR), average imports during the 15-year period rose at the rate of 32,000 bales annually, contrasting sharply with Western Europe's decline. While the region's share of world imports remained steady, volume rose 15 percent to 3.3 million bales. State trading measures and low wage costs apparently insulated Eastern Europe to some extent from the competitive pressure created by developing Asia.

Soviet cotton imports fell from 1.1 million bales at the beginning of the 1970's to only 300,000 bales at the end. Rising domestic production obviated all but specialty imports while sparking growth in Soviet cotton exports.

Asia, in contrast, has continued the rapid growth that began in the mid-1960's when it first overtook Western Europe in terms of import volume. The annual average trendline growth during the past 15 years includes: Korea, 92,000 bales; Taiwan, 49,000; Hong Kong, 24,000; and other Asia (excluding Japan and China), 44,000. For China, trendline numbers over the period are meaningless since its imports took off only in 1973 and reached an average 2.3 million bales in 1977-81 to make it the fastest growing market. Only Japan showed a decrease; at 26,000 bales annually, this decline was exceeded only by that of the EC.

Taiwan, Korea, and Hong Kong together accounted for 16 percent of 1977-81 world imports, compared with only 10 percent in 1971, thereby overtaking the EC countries and Japan as cotton importers. Other Asia—particularly Indonesia, Bangladesh, Singapore, and Thailand—increased its average share from 8 percent to 9 during the past 15 years.

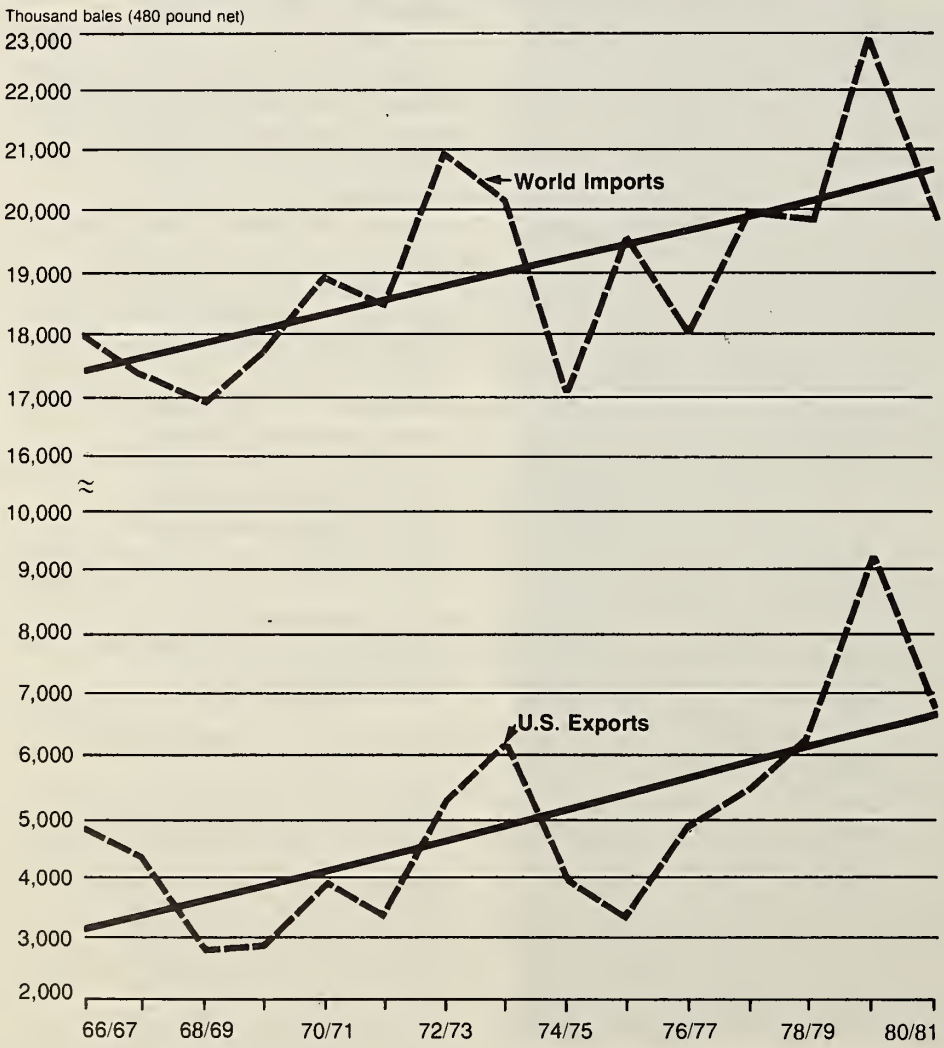
These performances contrast with a decline in Japan's share to 16 percent from 19 percent. Low labor costs and entry at a high point on the technological learning curve in the textile industry have made the developing Asian countries extremely competitive on the world textile market, even at the expense of the 1960's star performer, Japan.

China's imports during 1967-81 underwent the steepest increase of any major textile producing country, rising an average 194,000 bales annually. This trend is skewed by very high imports in 1973, 1974, and 1978 to present—particularly for 1980, when they rose to 3.9 million bales. Their continued strength in 1981 indicates that this import surge is more than a temporary shift.

China's share of world imports, meanwhile, has risen to 11 percent for 1977-81 from only 2 percent in 1967-71. The gain reflects Chinese expansion of textile production, both synthetic and cotton, to satisfy growing domestic and export demand.

Through the end of the 1970's, the factors that kindled explosive growth

Total U.S. Exports and World Imports of Cotton, 1967-81 with Trendlines[1]



[1]Marketing years ending July 31.

in Asia had not touched the developing countries of **Africa and the Middle East.** At 347,000 bales, the region's average annual imports in 1977-81 were 1.7 percent of the world total, compared with 1.6 percent in 1967-71. Among the largest importers, Ghana and Tunisia have shown fairly steady increases. Imports by Algeria, Morocco, and Egypt have been less consistent but upward on the average. Several of the other countries are net cotton exporters, which accounts in part for the small import share.

U.S. Exports Gain

U.S. exports to Western Europe rose about 14,000 bales per year during 1967-81, bucking the decline in Europe's total imports. As a result, U.S. share of the European market expanded to about 15 percent (739,000 bales) from 11 percent in 1967-71. However, all of the growth was in non-EC Europe (14,000 bales annually), while exports to the EC fell by an average 12,000 bales annually.

The gain in U.S. exports to Western Europe was not enough to prevent a decline in the region's share of total U.S. exports—from 17 percent average in 1967-71 to 11 percent in 1977-81.

The developing countries of Africa and Latin America appear to be the major losers in the West European market. Some of their reduced cotton sales, however, were displaced by shifts into production and exports of textiles. Hence, the loss in some cases was only in kind.

U.S. exports to Eastern Europe during the 15-year period fell by 5,000 bales annually to a yearly average of 96,000 bales in 1977-81. This decline reduced the U.S. share of the market from 5 percent to 3.

U.S. exports to the major Asian markets have risen steadily, both absolutely and, in many cases, as a percentage of imports. The U.S. market share soared from 37 percent in 1967-71 to 60 percent in 1977-81. In the three fastest growing markets outside of China, U.S. export growth averaged 81,000 bales annually in Korea; 24,000 in Hong Kong; and 21,000 in Taiwan. In Korea and Taiwan, U.S. market shares in 1977-81 declined slightly from the very high levels of 10 years earlier, but the share rose slightly in Hong Kong.

In Japan, U.S. exports greatly improved their market share, rising by an average of 24,000 bales annually while Japan's total imports fell 26,000 bales annually. This lifted the U.S. market share from 26 percent in 1967-71 to 38 percent in 1977-81.

Most of the U.S. inroad was at the expense of Latin American countries, particularly Brazil (which switched from raw cotton to textile exports) and Mexico and Nicaragua, which diversified their outlets.

U.S. exports to China in 1977-81 reached a record 1.0 million bales, accounting for 15 percent of all U.S. cotton exports, contrasted with no U.S. cotton sales to China between the late 1940's and 1972. Since 1973, U.S. exports have fluctuated in line with China's total imports, averaging 43 percent of these imports in 1977-81.

U.S. exports to Africa and the Middle East showed almost no change on trendline in the 15-year period, averaging 130,000 bales annually in 1977-81.

The USSR Moves Up

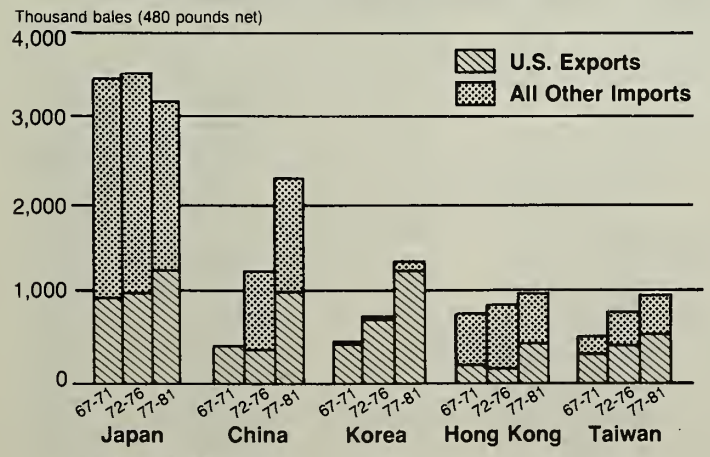
Steady increases in Soviet cotton production allowed the USSR to become a significant competitor in the world cotton market during the late 1970's. Most remarkable was the growth in Soviet exports to Western Europe, from a 1967-71 average of 314,000 bales per year to 930,000 annually during 1976-80. Annual U.S. exports to Western Europe during these same periods averaged 736,000 and 824,000 bales, respectively. And shipments by Turkey, the other significant competitor in Western Europe, fell from 790,000 bales a year in 1967-71 to 569,000 in 1976-80.

Even more significant were the declines in U.S. and Turkish exports and parallel gains in USSR exports to the EC. Between 1967-71 and 1976-80, U.S. exports to the Community declined from a yearly average of 600,000 bales to 430,000, while Turkish exports fell from 662,000 bales to 343,000. Soviet shipments, on the other hand, rose from an annual average of only 255,000 bales in 1967-71 to 827,000 in 1976-80.

Imports from the USSR rose significantly in France (from a 1967-71 average of 110,000 bales to 363,000 in 1976-80), West Germany (from 56,000 bales to 184,000), Italy (from 35,000 bales to 106,000), and the United Kingdom (from 50,000 bales to 102,000).

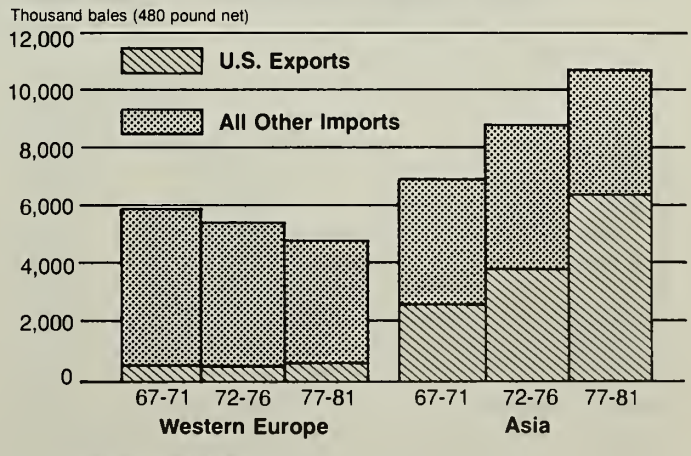
At the same time, the USSR continued to account for the bulk of cotton imports by Eastern Europe. □

Average Annual Exports of Cotton to Leading Asian Markets Compared with Their Total Imports; 1967-71, 1972-76, and 1977-81[1]



[1]Marketing years ending July 31.

Average Annual U.S. Exports to Asia and Western Europe Compared with Their Total Imports; 1967-1971, 1972-76, and 1977-81[1]



[1]Marketing years ending July 31.

U.S.-China Trade Rises During First Year Of MFN Status

By Robin Tilsworth

Although the boom in U.S. agricultural exports to China has made headlines, little noted has been the rise in Chinese farm exports to the United States—an uptrend that is expected to continue.

The granting of most-favored-nation (MFN) status under the U.S.-China Trade Agreement was expected to have—and seems to have had—its major effect on U.S. agricultural imports from China rather than on U.S. farm exports to China.

Concerning future trade prospects, the Chinese have stated that imports of U.S. agricultural products are expected to follow recent trends despite cutbacks in other domestic sectors (e.g. heavy industry). However, they also have indicated that agricultural imports are linked to China's ability to continue exporting to the United States, and thus earn foreign currency.

In July 1979, the United States and the People's Republic of China (PRC) signed a bilateral trade agreement that went into effect on February 1, 1980. The trade agreement is part of the full restoration of diplomatic relations with China, a process begun in 1972 with the signing of the Shanghai Communique. The Agreement, intended to expand trade and normalize economic relations between the two nations, will be in effect for 3 years. Then it can be extended for 3 more years with the consent of both parties.

During this first year of the Agreement, Chinese agricultural exports to the United States rose 54 percent from the previous year, to $137.93 million—the most China has exported to the United States.

During the same February 1980-January 1981 period, U.S. farm exports expanded 143 percent from the year earlier figure to $2.38 billion—also the largest amount of farm goods that the United States has sold to the PRC. In calendar 1980, China became the fourth largest U.S. farm customer and was the top market for U.S. wheat and cotton.

Both imports and exports showed greater diversification during the Agreement's initial year, with the number of U.S. imports from China increasing 17 percent while the number of U.S. farm exports to China rose 50 percent. However, the United States exports comparatively fewer commodities, but in larger quantities.

A major component of the treaty is the granting of MFN status for trade between the two countries. This means simply that, aside from the U.S. Generalized System of Preferences (GSP), the lowest tariff rates either nation offers to any other trading partner will apply for commodities traded between China and the United States.

The United States has a two-tiered tariff system: Rates that apply to countries with MFN status (extended to practically all of the U.S. trading partners), and another tariff category of generally higher duty rates that currently affect some nonmarket (Communist) nations with which the United States has not negotiated a bilateral commercial agreement.

The lower MFN tariff rates are important to Chinese exporters because they affect the prices U.S. importers pay for the commodities; therefore the rates affect the competitiveness of Chinese products in the U.S. market.

U.S. Farm Imports From China

A detailed look at U.S. imports from China—with and without MFN tariffs—provides an indicator of the possible MFN-related impact on trade. Data on 45 items—each with a value over $500,000—were selected. These commodities imported during February 1980-January 1981 (when MFN tariff rates were in effect) were compared with the same ones imported the previous 12 months (when non-MFN rates were applicable).

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[1] *As a result of an investigation by the U.S. International Trade Commission, increased U.S. tariffs on canned mushrooms from all sources were instituted in November 1980.*

U.S.-China Farm Trade: Ten Leading Products, February-January 1979/80, 1980/81

[In thousands of dollars]

Item	U.S. Exports to China 1979/80	U.S. Exports to China 1980/81	Item	U.S. Imports From China 1979/80	U.S. Imports From China 1980/81
Wheat	192,075	1,158,500	Feathers	10,657	26,664
Cotton	368,230	773,780	Canned mushrooms	207	14,141
Corn	268,570	193,820	Licorice root	7,273	12,589
Soybeans	106,161	164,743	Tea	8,470	9,922
Soybean oil	36,376	57,718	Bristles	11,089	7,776
Tallow	7,071	14,608	Honey	7,533	6,038
Cattle hides	1,136	13,233	Raw silk	6,156	4,971
Linseed oil	0	1,408	Cassia oil	2,168	4,910
Other hides & skins	0	513	Inedible preps. & glue	303	2,920
Cottonseed	0	506	Sausage casings	2,001	2,879
Other commodities	1,626	1,843	Other commodities	35,070	45,124
Total	981,245	2,380,672	Total	90,927	137,934

Sources: Bureau of the U.S. Census, U.S. Department of Commerce.

Furthermore, to reduce the influence of the general rise in U.S. agricultural imports from China, which have grown at an average annual rate of 16 percent since 1976, the analysis separates these 45 commodities into two groups:

- Those for which the tariff rates were not changed by the mutual extension of MFN; and
- Those for which the tariff rates were lowered by the MFN status.

Of these commodities, 16 had no tariff changes, while the remaining 29 items had reduced tariffs. For these two groups, the proportion of imports that increased in value during the 2 years was roughly the same—about two-thirds. However, the import value of the group with reduced tariffs increased 79 percent, compared with only 22 percent for the group with unchanged tariffs.

Moreover, only one commodity (hoofs and horns) in the latter group registered a value increase of more than 200 percent. More than one-third of the commodities in the group with lower tariffs increased at least this much. These included canned mushrooms,[1] water chestnuts, mandarin oranges, kumquats, peanuts, cornmint and peppermint oils, patchouli oil, camel hair, prepared vegetables, edible preparations derived from milk, and inedible preparations and glue.

MFN status influenced the prices U.S. importers paid for Chinese commodities. For items with unchanged tariffs, the average price increased 13.3 percent. However, the average price for commodities with reduced tariffs actually decreased by 1 percent. This decline indicates that the increased value for these items was achieved primarily through an expanded volume of trade.

Looking at China's top 10 agricultural exports to the United States during the comparison years, most of these items retained their rankings, largely because they already had been competing effectively in the U.S. market. However, the two products—canned mushrooms and inedible preparations and glue—that moved into the top 10 after the granting of MFN status did have substantial tariff reductions.

If the lower tariff rates affected the competitiveness of Chinese products in the U.S. market, then it would be expected that exports of the 45 commodities studied would increase. Con-

Continued on page 14

ICA Adopts Coffee Export Quotas After 4 Years of Market Tumult

By James A. Truran

Capping lengthy negotiations over how to stabilize the volatile world coffee market, the International Coffee Agreement (ICA) recently implemented a new system of export quotas. The initial global quota is 57.34 million bags annually, allocated among producing members of the ICA, with provisions for adjustment in periods of rapid price change.

This is the first time under the 1976 ICA—which expires in September 1982—that economic provisions have been in effect. And it is the first time since 1972 that coffee trade has been regulated through quotas. The goal is to avoid the wide price swings that began after a devastating frost in Brazil's coffee areas in 1975 and continued in subsequent years of impasse among ICA members over means of stabilizing the market.

The United States became a full member of the ICA on December 20, 1980, after 4 years of provisional membership. Full U.S. compliance had been held up in Congress, but passage of the necessary implementing legislation came during the waning hours of the 96th Congress.

The United States has, nonetheless, been an active member of the Agreement, as well as the world's leading coffee importer—consuming nearly 19 million bags of coffee a year, most of it imported from ICA members.

This country also played a major role in negotiating the first ICA in 1962 and has participated in the management of trade by requiring import certificates and enforcing controls against imports from nonmembers.

Protracted Negotiations Culminate in Agreement

The export quotas and other amendments to the 1976 ICA were nailed down during 3 weeks of negotiations in September and October 1980 at the London headquarters of the ICA. These negotiations included sessions regarding the difficult question of price ranges, quota size, and quota distribution and adjustment mechanisms. They also involved gaining agreement from a small group of producers, called Pan Cafe, to discontinue their unilateral—and disruptive—efforts to support coffee prices. The final consensus in both areas demonstrated the ability of ICA member countries to work cooperatively toward resolving problems in the world coffee economy.

The 1976 ICA is the third international accord between producing and consuming nations, with the intent of stabilizing coffee prices around a long-term trend. But unlike the other two—of 1962 and 1968—it operated for 4 years without the effective economic provisions necessary to carry out this objective. It also came into being at a time of radically changing conditions in the coffee market—conditions that initially worked against cooperation among member nations.

Throughout the duration of the two previous agreements, prices and consumption were relatively stable, and one country alone—Brazil—held the vast majority of world stocks. These stocks for the most part were significantly higher than total world coffee exports in any one year. Price runups in 1963/64 and 1969/70 were dealt with by ICA actions to increase quota sizes and relax restrictions on production and exports.

That period of coffee abundance came to an abrupt end in 1975 following a massive frost in the heart of Brazil's coffee belt. Brazilian output subsequently plunged to 9.3 million bags in 1976 from more than 22 million annually in the years immediately preceding the frost. Similar sharp declines also occurred in exports and stocks, both in Brazil and the world. Coupled with reduced Brazilian supplies caused by unfavorable

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weather, coffee availability was further restricted by natural and man-made events in other producing regions. The problems faced by the coffee economy in 1975/76 thus dealt with shortages and rising prices, although most participants in the negotiations failed to foresee the sharp changes that did occur. Indeed, many participants in the 1976 negotiations felt quotas would be reintroduced by 1977.

Partially because of the uncertainty over price trends and also because most delegations felt that price stabilization at the then record price levels was unnecessary, specific economic provisions to defend prices were left undefined in the text of the ICA. The Agreement did provide for the establishment of a global annual quota in the event prices fell below a trigger price of 77 cents per pound—a level 15 percent above the average price in 1975. This quota was to be based upon actual export performances during the better of two periods—either average exports during 1969-72 (the last time the quotas were in effect) or, if quotas came into effect after October 1, 1978, exports during the 1977/78 coffee year. The agreement that emerged from the negotiations was not radically different from its predecessors—only the environment within which it operated was changing constantly.

Coffee prices during the 1976/77 coffee year, following the ratification of the 1976 ICA, continued to climb as the world supply and demand balance remained tight. Exports to all destinations by member countries decreased by 12 million bags between 1976 and 1977, and then rebounded by over 9 million bags in 1978. The composite indicator price used in the Agreement to report coffee prices increased from the 1975 annual average of 63 cents per pound to the 1977 average of $2.29 per pound. The use of annual prices masks to some extent the absolute levels reached. The upper limit of prices in 1977 topped $3.26 per pound in the month of April. Because of these high prices, there was little or no pressure in the ICA during 1977 to define economic provisions for the coffee agreement.

Pressures began to build in 1978, however. Prices began the year strong, averaging around $1.90 per pound but quickly began to fall. Between June and July alone, they fell by 30 cents per pound, from $1.60 to $1.30, reaching a low point in July of $1.15 as the usual Brazilian frost period appeared to have passed harmlessly.

Prices continued low in early August. Producing countries sought a special Council session to negotiate the immediate imposition of economic provisions. Consumer members of the ICA opposed the special session because the potential frost season in Brazil was not over and because the regularly scheduled Council session was set for September in any case. Indeed, a rare late frost did occur during the night of August 18, 1978, reversing the price decline. The turnaround in prices diffused somewhat the call for economic provisions at the 1978 Council session, and none were imposed.

Because of the perceived lack of meaningful economic provisions within the ICA, several Latin American exporters formed a consortium to trade in coffee futures as a means of maintaining prices above what they otherwise would be. Their group, originally called the Bogotá Group, was reportedly initially capitalized at $140 million and began its operations in late 1978. Their first attempts to support prices were spotty and apparently had little real effect. Monthly average prices actually fell from the September levels of $1.51 to under $1.30 in February, and the Bogotá Group is reported to have lost money. An unusually early frost in May 1979 turned the market around sharply, however, and rebuilt the Group's treasury.

By the September 1979 Council session, prices were back up to around $1.90-$2.00 per pound. Although it was agreed that prices did not need to be defended at those levels, attempts were made to negotiate a new price that would trigger the automatic imposition of economic provisions. After several attempts, agreement was almost reached on a trigger price of $1.34 per pound. In agreeing to this price, some consumer countries sought a review of market conditions after 1 year to ensure the cessation of market intervention and manipulation by the Bogotá Group. This position was unacceptable to producers, and the accord fell apart.

Following the 1979 Council meeting, there was little goodwill in the coffee world. Producers continued to justify Bogotá Group activities because of the lack of economic provisions in the ICA. Consumers felt that coffee prices did not need to be defended at the high levels they had reached, and that unilateral activities by a group of ICA members to raise prices clearly violated the spirit of the Agreement. Revision of the economic provisions in the face of these actions was not possible.

This impasse carried over into early 1980. Despite efforts by the United States and others to move ahead on cooperation, the response by the Bogotá Group was to establish a formalized trading company—Pan Cafe—to undertake the same market activities as before.

After the 1979 Council session, prices at first remained firm, then dropped in early 1980, and finally recovered to around $1.80 in May. On May 16, they reached the high point for the year of $1.86. After that, despite the threat of the frost season in Brazil and activities on the part of Pan Cafe, prices fell steadily. In line with provisions of the ICO, a special session of the Executive Committee was called in late July to discuss the price decline. Faced with continued dismal prospects, delegates from producing countries indicated at this meeting that they could cease their unilateral activities in exchange for cooperation from consumers. In a subsequent August meeting between various ICO member countries, further discussions on the twin issues of Pan Cafe phaseout and meaningful economic provisions were held, setting the stage for the September meeting in London.

The U.S. position at the London meeting reflected U.S. concern with Pan Cafe activities and interest in the cooperative activities possible under the ICA. Clearly the two could not coexist. While the phaseout of Pan Cafe was a negotiating objective of the United States, it was negotiated separately from the Agreement on revised economic provisions.

There were several major issues involved in the negotiations for the economic package. The size of the global quota was clearly important to all countries, and so too was the distribution of that quota, but for different reasons. Some producers were concerned that the established formula—based on historical market shares—did not reflect the new realities of coffee production in the postfrost era. They claimed that such a formula would deprive many of the countries that increased output in

recent years of being able to ship their available coffee. Consumers were also interested in the distribution of quotas so as to avoid the problem of "paper quotas"—i.e., a quota for a country greater than the amount of coffee available to ship in that country.

The global quota size was also important for discussions of the price range to be defended, which in itself was another major negotiating issue. Producers, not unexpectedly, began from the premise that the prices prevailing during the negotiations (around $1.25 per lb) were too low and should be raised and stabilized. Consumers generally felt that a price range around the then-prevailing price was a reasonable goal to seek. Producers attempted to create a major issue out of the lack of necessary implementing legislation in the United States.

The negotiations got off to a slow start. During the first week, as several of the key representatives were still arriving, attention was focused on the willingness of all countries to work out the revised economic package. The pace picked up considerably the second week with the creation of a Contact Group, designed to facilitate dialogue between producer and consumer groups. While the Contact Group served as the official forum for the discussions between two sides, much time and effort was expended in individual caucus groups and in small, usually bilateral, meetings between countries and the Executive Director. This behind-the-scenes work was extremely time consuming, and often meetings did not adjourn until the very late hours. The entire proceedings originally had been scheduled for 2 weeks, but the progress being made—and the willingness of both producers and consumers to conclude an agreement—promoted 2 extensions, for an additional week.

Economic Provisions Seen Stabilizing Prices

The revised package that emerged represents a viable attempt to lend stability to the coffee market. It represents substantial concessions by both producers and consumers. The mechanics of the system include an initial global quota of 57.34 million bags that is used to defend prices between $1.15 and $1.55 per pound. When prices fall below the mid point,

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Nigeria's Food Deficit To Require Larger Imports Of U.S. Farm Products

By Abraham Avidor

Despite comprehensive development programs aimed at achieving a higher degree of self-sufficiency in food production, Nigeria's agricultural output—once the backbone of that country's economy—is falling increasingly short of consumption needs. The resulting food deficit is, in turn, forcing Nigeria to sharply increase its imports of agricultural products, especially food and feedgrains from the United States.

Barring the imposition of new import restrictions, the prospects for continued growth in U.S. farm product exports to Nigeria appear good, particularly in view of Nigeria's growing demand for grains and its ability to finance these imports from oil income.

Total U.S. exports to Nigeria (farm and nonfarm) grew about 10-fold during the past decade and reached $1,150 million in 1980. However, reflecting the meteoric rise in Nigeria's petroleum prices, the value of U.S. imports from Nigeria—the second largest petroleum supplier to the United States—has far outpaced the growth of U.S. exports to that country. In 1980, this bilateral imbalance resulted in a U.S. trade deficit of nearly $10 billion.

U.S. farm exports to Nigeria—the largest food market in sub-Saharan Africa—grew steadily from $23 million in 1972 to $301 million in 1978, but then declined by 30 percent in 1979, largely because of Nigerian import restrictions on rice. (See *Foreign Agriculture*, April 1980.) In 1980, U.S. agricultural exports to Nigeria recovered to a record of about $350 million because of wheat and flour shipments that reached 1 million tons, and substantially larger corn and rice shipments.

Currently, the United States dominates Nigeria's wheat and corn import markets and, together with Thailand, is a major supplier of long-grain parboiled rice.

Reflecting restrictive import bans and licensing requirements, the value of U.S. horticultural product exports to Nigeria has shown only a small gain since 1977. Similarly, the value of U.S. animal product exports to Nigeria (mostly poultry meats and inedible tallow) increased only modestly in recent years when compared with the tremendous potential offered by the Nigerian market—largely because of difficulties encountered in obtaining import licenses.

U.S. agricultural imports from Nigeria—consisting mostly of cocoa beans and cocoa products—fluctuated sharply during the 1970's and reached $74 million in 1980. This trade pattern has resulted primarily from the volatility of world cocoa prices, as well as a decline in exports of Nigeria's traditional cash crops. U.S. imports of Nigerian cocoa will probably decline in 1981 because of lower production and the Government's policy of withholding cocoa from the market earlier this year.

Reflecting an inadequate growth rate in recent years, Nigeria's agricultural sector has reached the point where it now contributes less than one-fourth of the national gross domestic product, with the sector's real growth rate well below that of the population. The disappointing performance of the agricultural sector can be traced primarily to the 1968-70 Nigerian civil war, the Sahelian drought, the migration of farm workers to the cities, and neglect of traditional smallholder farmers who produce more than 90 percent of Nigeria's farm output.

Prior to 1975, Nigeria was a net food exporter, but since then it has become a net food importer. Except for cocoa, Nigeria's traditional cash crops such as palm products, peanuts, and rubber are no longer major foreign exchange earners.

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Nigeria's food import policy, meanwhile, has been inconsistent, largely as a result of the Government's response to fluctuations in petroleum revenues. Led by rapid rises in urban income, Nigeria's food imports expanded rapidly in the mid-1970's in the wake of the oil boom, declined sharply in 1979 because of a drop in oil revenues, and then rebounded in 1980 as oil revenues again climbed.

The Nigerian Government has reacted quickly to short-term declines in petroleum revenues by imposing a wide range of import controls designed to reduce the outflow of foreign exchange and to encourage domestic food production. However, the Government's import controls—including outright bans, rigid licensing requirements, and preshipment inspections—often have caused food shortages.

The Government's apparent policy of keeping Nigeria's currency at an overvalued level has, in the meantime, reduced the competitiveness of domestic production and exports, compared with world prices; and its program of subsidizing farm inputs has not succeeded in fully offsetting this disadvantage. Nigeria's import policy in the early 1980's will probably continue to deal with the classic contradictory dilemma of cheap food for the urban sector versus self-sufficiency in agricultural production.

(In the case of Nigeria, cheap food entails a liberal import policy, whereas self-sufficiency in production means a limiting of imports by means of quantitative restrictions.)

Nigeria's overall food import policy will also be strongly influenced by developments in the international petroleum market, the major source of Nigeria's foreign exchange earnings. Over the short term, it is likely that Nigeria will again be faced with reduced petroleum exports, this time because of slack economic activity around the world, a condition stemming from earlier petroleum price boosts. Long-term prospects for petroleum exports are promising, although growth rates for petroleum revenues will probably be lower than those of the 1970's.

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U.S. Public/Private Program In Nigeria: Model For U.S. Assistance To Other Nations

By Lynn K. Engstrand and Victor E. Muniec

Orville Freeman, former Secretary of Agriculture, addresses the U.S. members of the Joint Agricultural Consultative Committee. Agriculture Secretary John R. Block is at his right.

The U.S. Department of Agriculture and the private agribusiness sector of the United States have joined forces for the first time to assist Nigeria in its agricultural-agribusiness development. This cooperative effort will combine the resources of the public and private sectors to their mutual benefit while providing needed assistance to Nigeria. It is expected to serve as a model for agricultural development assistance to other developing and middle-income countries, while increasing sales of agribusiness products.

In July 1980, the U.S. Government and the Government of the Federal Republic of Nigeria signed a Memorandum of Understanding. The Memorandum reaffirmed the desire of both nations "to collaborate in developing programs and exchanges in all fields relating to the planning and developing of agriculture, and express their intention to continue to explore possible joint activities which would lead to a broadening of cooperation in this field."

The broad program objectives are:

- To assist in the development of programs consistent with national policies and goals;
- To provide technical support in the implementation of agricultural programs;
- To exchange materials and information;
- To cooperate in training in all fields of agricultural planning, development, and research;
- To cooperate in developing and expanding commercial agricultural relations; and,
- To foster private sector involvement in projects and activities consistent with the agricultural development policies and objectives of the two Governments.

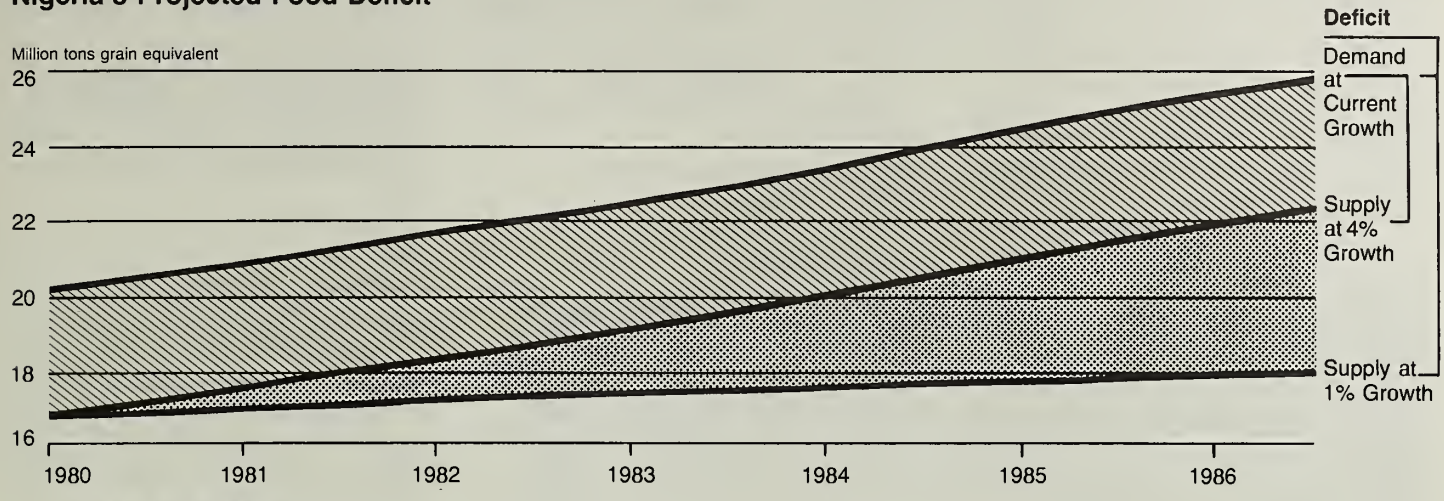
The program is designed to assist Nigeria in reversing the decline of its agricultural sector and in the production of basic food and agricultural products. It may also help strengthen the rural sector by slowing the flow of farm workers to the cities, and provide a better income for farmers remaining on the land.

The United States will benefit from the investment opportunities that are being made available, the increased trade expected to develop in capital and agricultural products, and the payments received for U.S. technology and management expertise. This increased investment and trade will help offset some of the nearly $12-billion annual deficit resulting from heavy U.S. imports of Nigerian petroleum.

The Memorandum of Understanding between Nigeria

Mrs. Engstrand is manager of agribusiness and Mr. Muniec, an information specialist, Office of International Cooperation and Development, USDA.

Nigeria's Projected Food Deficit



Source: Business Associates, Inc.

and the United States calls for establishment of a Joint Agricultural Consultative Committee (JACC) to provide a mechanism for support of private sector cooperation in agriculture. The JACC consists of representatives of the private agribusiness sectors from both countries.

U.S. members met in Washington, D.C. on March 4, 1981, to complete arrangements for a week-long joint meeting with their Nigerian counterparts, starting May 31 in Lagos.

Orville Freeman, former U.S. Secretary of Agriculture, is chairman of the U.S. group. Mallam Joda, former Permanent Secretary of the Nigerian Ministry of Agriculture and an active farmer, chairs the Nigerian committee.

Secretary of Agriculture John R. Block, speaking at the U.S. JACC meeting, told the participants that he considers the JACC and the purposes for which it was founded to be "in the best interests of the United States." He said that the U.S. Department of Agriculture would provide every possible assistance, within budgetary limitations, to make the program a success.

Twenty-four companies attended the JACC meeting in Washington. Included were several agricultural equipment manufacturers, food manufacturers and processors, agribusiness management firms, seed and fertilizer producers, a dairy cooperative, and a cotton-ginning enterprise.

Government-to-government relations, such as the one with Nigeria, can open doors for U.S. agriculture and agribusiness in many countries, easing the task of establishing a business abroad, and/or developing new markets or expanding existing ones.

Nigerian President Shagari has placed a high priority on the improvement of the country's agriculture. He has committed some $2 billion to agricultural development in his proposed 1982 budget. The "Green Revolution" plan is expected to serve as the centerpiece for Nigeria's agricultural development between 1981-85, with $8 billion earmarked for investment in the program over the next 4 years. (See accompanying article.)

Through its "Green Revolution" program Nigeria is emphasizing the need to increase agricultural productivity by providing small farmers with inputs in fertilizer, credit, machinery, and other resources. The Government is also encouraging joint ventures in large-scale, mechanized agricultural production and processing, as well as establishment of poultry and livestock enterprises.

To attract American investors, the Nigerian Government has relaxed its regulations to allow more attractive tax breaks. It has accelerated its depreciation schedules, made favorable provisions for loss-carry forward, investment credits, profit-repatriation, as well as providing other financial incentives. For example, foreign firms can now own up to 60 percent of the equity in most integrated agricultural enterprises in Nigeria.

U.S. agribusiness interested in studying the potential for joint ventures in Nigeria may obtain a copy of a report entitled, *Agricultural Investment in Nigeria: The Opportunities and Realities For U.S. Agribusiness Companies* from USDA's Office of International Cooperation and Development (OICD). The study is designed to provide U.S. agribusiness firms with a realistic view of the opportunities and problems in investment and trade in Nigeria. It includes a description of the country, its agricultural performance, current agricultural policy, procedures for starting and operating a business in Nigeria, analyses of selected commodity subsectors, and advice to U.S. companies seeking joint ventures.

The report indicates that Nigerians believe American firms are particularly suited to enter joint arrangements with Nigeria because of U.S. "managerial skill, technical experience, financial resources, and proven performance records."

As another service, OICD maintains a mailing list comprised of the recipients of the report and others who request to be kept informed about the status of the U.S.-private' agribusiness sector programs in Nigeria and elsewhere. Requests for single copies of the study and to be included on the mailing list should be addressed to OICD/USDA, Room 3812S, Washington, D.C. 20250. □

Despite an inadequate growth rate in recent years, Nigeria's agriculture continues its key role as an employer of more than one-half of the labor force and a supplier of food for the growing urban population. The Nigerian Government is aware that to improve the performance of the agricultural sector it must invest a substantial share of its revenues from petroleum—a depleting resource—in programs to expand farm production and to improve the farm infrastructure by building storage and transportation facilities.

To achieve these goals, the Nigerian Government, aided by the World Bank, launched a so-called Green Revolution Program in 1980 as the model for Nigeria's Fourth Development Plan for Agriculture (1981-85). An important goal of the Green Revolution, as President Shagari explained, is to bridge the gap between "the large yields achieved at research stations and the poor yields recorded on farmers' fields."

The program recommends five goals for the fourth plan:

- To provide adequate food at affordable prices;
- To become self-sufficient in basic food commodities;
- To improve nutritional levels of the Nigerian diet;
- To ensure price stability in food and input markets; and
- To ensure fair returns to food producers.

Specifically, the Green Revolution Program calls for heavy reliance on smallholders for greater food production; private sector handling of farm inputs; increased use of World Bank-sponsored integrated programs such as the Agricultural Development Projects (ADP's) and the Accelerated Development Areas (ADA's)[1] as the basis for boosting smallholder productivity; and a greater Government role in rural infrastructure development.

During Nigeria's Fourth Agricultural Development Plan, the Government will encourage expanded production by offering incentives in the form of higher farm support prices, significant tax and tariff benefits to private entrepreneurs who invest in agriculture, improved access to farm credit, and larger subsidies for key inputs such as fertilizer.

But even with this expanded production, Nigeria's overall food deficit is expected to grow during the early 1980's, largely because of rapid population growth and rising urban income. This, in turn, would necessitate larger imports of food, especially grains, most of which could be supplied by the United States. □

Major U.S. Agricultural Exports to Nigeria, 1977-80

[In $1,000 U.S. dollars]

Commodity	1977	1978	1979	1980[1]
Wheat and wheat flour	83,755	106,362	145,607	180,615
Rice	82,766	137,714	20,073	92,148
Corn	5,348	8,415	8,719	23,716
Poultry meat	6,523	5,941	5,575	8,463
Tallow and greases	13,169	15,893	18,949	20,021
Total agricultural exports	211,956	300,638	211,634	348,150

[1]Preliminary. Source: U.S. Bureau of Census.

[1]ADP's are projects that try to help smallholders increase productivity and income by providing farming communities with an integrated package embodying improved extension services, input distribution, and infrastructure facilities. ADA's are areas not yet covered by ADP's, where the core elements of ADP's are being provided in a less intensive package.

Coffee

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$1.35, the quota is reduced by 1.4 million bags. This was the case when quotas first came into effect on November 1. If the price falls below $1.20 per pound, a further cut of 1.4 million bags occurs. Additional protection is offered producers by a possible second cut of 1.4 million bags, if—after the first cut—the price remains below $1.20 for 20 days. If after all of these adjustments the price falls below $1.15, a third and final reduction of 1.4 million bags will occur. A special Council session would consider additional measures if prices remained below $1.15.

These quota cuts would be restored as prices began to rise.

Consumer interests are protected by equivalent increases in quotas on the upside, with two increases of 1.4 million bags each when prices hit $1.50 per pound and a third increase of 1.4 million at $1.55. If—after all of these increases—prices continue above $1.55, quotas would be removed altogether and not be reimposed until the price fell back to the mid point of $1.35.

Concurrent with negotiations for the economic package were the talks about the phaseout of market activities by Pan Cafe. It was clearly in producer interests to undertake this process, and the critical questions were when and how this would be achieved. Under terms of the Agreement, Pan Cafe will liquidate its future positions within 6 months in an orderly manner. Physical stocks must be sold by the end of the current coffee year, September 30, 1981. The progress of this liquidation will be reported monthly to the Executive Director of the ICO. According to recent reports from the Executive Director, Pan Cafe has completed liquidation of its futures positions and has substantially reduced its stocks of physical coffee held. □

China

Continued from page 9

sistent with these expectations, nine of the 10 Chinese exports that increased the most in value enjoyed the benefits of lower MFN tariffs. These were canned mushrooms, water chestnuts, patchouli oil, camel hair, peanuts, cornmint and peppermint oils, mandarin oranges, kumquats, and indedible preparations and glue.

On the opposite end of the scale, however, five of the 10 export commodities that dropped the most in value had reduced tariff rates. This finding suggests that other factors such as poor Chinese harvests or increased domestic demand rather than the granting of MFN status affected China's exports of cashews (shelled and unshelled), pignolia nuts, dried apples, and inedible gelatin. Also, in this group of 10—but with unchanged tariffs—were tung oil, cassia, hides and skins, walnuts, and ginger root. □

U.S. Agricultural Sales to Japan Head Toward $7 Billion

By Dudley G. Williams

Long the largest U.S. farm customer, Japan continues to be an outstanding market for U.S. exporters. Over the past 3 years, U.S. agricultural exports to Japan have expanded at a pace of almost a billion dollars a year—passing the $4-billion mark in 1978, $5 billion in 1979, and $6 billion in 1980.

Exports of U.S. agricultural products to Japan are expected to approach $7 billion this calendar year, reflecting past achievements and growing opportunities for the many U.S. industry/commodity groups active in that market.

This strong U.S.-Japan agricultural trade tie favors both U.S. farmers and Japanese consumers. At least 40 U.S. states are involved directly in this trade, while other states receive indirect benefits through servicing the export trade, and from the fact that Japan's large purchases contribute heavily to overall demand and the market price of agricultural products.

U.S. agricultural exports to Japan—traditionally by far the largest U.S. farm market—rose 16 percent from 1979 to $6.1 billion in calendar 1980, representing a new record for the fifth consecutive year.

Much of the increase in 1980 resulted from substantially larger shipments of U.S. corn (up 18 percent in volume and 36 percent in value) and other feed components. Further gains are expected in Japanese requirements for feedgrains and soybeans and products, while the growth will be somewhat slower for some other bulk commodities.

Over the longer term, continued expansion in Japan's demand for bulk and processed commodities, and progressive improvement in market access for processed goods assure U.S.

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Clockwise from top: The U.S. pavilion always draws a crowd at the huge International Hotel-Restaurant Exposition in Tokyo; U.S. Ambassador Mike Mansfield formally opens the American Foods Festival, which also was staged in Tokyo; and white mink being modeled at a Tokyo reception and show that was hosted by the EMBA Mink Breeders Association and the Great Lakes Mink Association for the Japanese fur trade.

suppliers of even greater marketing opportunities in Japan.

In the bilateral balance of agricultural trade, the 1980 performance meant a positive balance favoring the United States by some $6 billion—derived from U.S. farm exports of $6.1 billion minus Japanese farm exports to the United States of less than $100 million. This stands in sharp contrast to the overall U.S. trade deficit of $9.9 billion with Japan in 1980.

Each year, Japan buys the harvest of 14 million acres in the United States—about equal to the area under crop production in Japan itself. These purchases are essential in meeting Japan's food and fiber requirements. Conversely, without this trade flow, the U.S. farmer and economy would suffer. Efficiencies of production could not be fully achieved; thus, U.S. farmers' income would be reduced and the nation's trade imbalance would be even greater.

For years, the growth potential of the Japanese market has attracted a wide range of agricultural trade interests. For U.S. agricultural producers and processors, Japan has long been the leading export market for U.S. farm products, becoming the first billion-dollar farm market in 1970.

It is also the largest or nearly the largest market for U.S. feedgrains, grapefruit, lemons, poultry, pork, beef, variety meats, tobacco, soybeans, wheat, and cotton.

This trade growth was enhanced by the Agricultural Trade Development and Assistance Act of 1954, which provided for joint U.S. Government/industry development of export markets for U.S. farm products. Under this authority, U.S. commodity groups and the Foreign Agricultural Service (FAS) have cooperated in comprehensive market development programs in Japan.

Today, 27 such industry "cooperator" groups have activities in Japan, compared with only three in 1956. Also, 28 other commodity groups and individual firms are currently engaged in market expansion programs in Japan under FAS Export Incentive Programs, and six regional/state groups are involved in the export effort.

In addition to—and in many cases complementary with—joint FAS/industry endeavors, a strong private sales presence and initiative is maintained in Japan by large and wide-ranging U.S. agricultural and agribusiness interests. Together, these efforts translate into a uniquely

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U.S. Agricultural Exports to Japan, Calendar Years 1976-80

Item	1976		1977		1978		1979		1980	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
	1,000 MT	*$Mil.*	*1,000 MT*	*$Mil.*	*1,000 MT*	*$Mil.*	*1,000 MT*	*$Mil.*	*1,000 MT*	*$Mil.*
Bulk commodities:										
Feedgrains:										
Corn	6,408	748	7,829	812	8,480	911	10,016	1,196	11,823	1,625
Grain sorghum	2,341	261	2,425	241	2,359	232	2,257	249	3,780	496
Total feedgrains	8,749	1,009	10,254	1,053	10,839	1,143	12,273	1,445	15,603	2,121
Soybeans	3,069	675	3,410	938	3,855	981	3,707	1,032	4,033	1,105
Wheat	3,311	522	3,315	374	3,276	432	3,351	537	3,331	596
Cotton	181	259	227	313	286	355	329	455	330	531
Tobacco	60	223	61	260	46	227	44	229	37	197
Hides & skins (1,000 pcs.)	10,279	187	9,458	194	9,620	243	8,399	315	8,743	260
Beef tallow	103	39	103	41	89	40	93	51	116	55
Soybean meal	120	21	270	55	267	58	205	49	246	65
Alfalfa meal & cubes	259	27	248	29	311	30	366	40	374	48
Others	—	102	—	217	—	256	—	327	—	318
Subtotal	—	3,064	—	3,474	—	3,765	—	4,480	—	5,296
Consumer items:										
Citrus:										
Lemons	97	51	105	41	121	68	101	84	102	63
Grapefruit	144	31	149	36	132	36	142	47	129	46
Oranges	25	8	22	7	49	22	52	28	63	25
Total citrus	266	90	276	84	302	126	295	159	294	134
Beef	16	42	20	52	34	118	35	150	34	142
Pork	54	122	25	66	24	87	32	118	28	96
Poultry meat	24	26	33	37	39	50	38	49	43	54
Almonds	9	18	11	24	12	34	8	36	10	41
Peanuts	29	21	27	21	25	20	29	23	27	21
Raisins	22	16	7	10	16	22	9	16	15	25
Pulses	29	8	27	8	21	7	20	8	38	14
Canned peaches	8	4	12	6	20	11	11	7	13	10
Fruit cocktail	1	1	2	2	3	3	3	3	4	3
Prunes	1	1	1	1	2	3	3	3	3	4
Orange & grapefruit juice (1,000 lit.)	1,782	2	1,839	3	3,307	3	4,035	4	10,965	5
Others	—	148	—	69	—	106	—	199	—	266
Subtotal	—	499	—	383	—	670	—	775	—	815
Grand total	—	3,563	—	3,857	—	4,435	—	5,255	—	6,111

—Not applicable.

Source: U.S. Census data.

Industry Groups That Cooperate With FAS in Japan

American Soybean Association
California Avocado Advisory Board
California Cling Peach Advisory Board
California Raisin Advisory Board
Cotton Council International
EMBA Mink Breeders Association
National Peanut Council
National Potato Board
National Renderers Association
Poultry and Egg Institute of America
U.S. Dry Pea & Lentil Council
U.S. Feed Grains Council
U.S. Meat Export Federation
U.S. Wheat Associates, Inc.
Papaya Administrative Committee
American Angus Association
American Hereford Association
American Polled Hereford Association
Brown Swiss Cattle Breeders' Association, Inc.
Holstein-Friesian Association of America
National Association of Animal Breeders
Tanners' Council of America, Inc.
North American Blueberry Council
Northwest Horticultural Council
Michigan Bean Shippers Association
American Seed Trade Association
Mohair Council of America

Participants in Export Incentive Programs

California Almond Growers Exchange
T.N. Duche Nut Co., Inc. (almonds)
Pure Gold, Inc. (citrus)
Rio Del Mar Foods, Inc. (almonds)
Seald-Sweet Growers, Inc. (grapefruit)
Sunkist Growers, Inc. (citrus)
Green Giant Company (canned and frozen vegetables)
Lambert Marketing Company (wine)
Sun World, Inc. (citrus)
Dalgety Foods, Inc. (frozen vegetables)
Del Monte Corporation (canned vegetables)
North Pacific Canners & Packers, Inc.
NOWACO, Inc. (frozen vegetables)
San Benito Vineyards, Inc. (wine)
Numano International, Inc. (sake)
East-Side Winery (wine)
D. DeFranco and Sons, Inc. (almonds)
Sun-Diamond Growers (walnuts and prunes)
Turgeon and Lohr Winery (wine)
Giumarra Vineyards (wine)
Wente Bros. (wine)
Boles & Company (wine)
Perelli-Minetti Winery (wine)
Ocean Spray Cranberries, Inc. (cranberries)
E & J Gallo Winery (wine)
Bud Antle, Inc. (lettuce)
Louis Martini (wine)
Mirrassou Sales Company (wine)

U.S. Regional/State Groups

Eastern United States Agricultural and Food Export Council, Inc. (EUSAFEC)
Mid-America International Agri-Trade Council (MIATCO)
Southern United States Trade Association (SUSTA)
Western United States Agricultural Trade Association (WUSATA)
Old West Regional Commission
Pacific Northwest Regional Commission

U.S. Trade Promotion Efforts in Japan Face Stepped-Up Competition

Although U.S. trade promotional efforts have scored significant successes in Japan, competition in this large farm market remains keen. In 1980, some U.S. competitors—notably China and the European Community (EC)—stepped up their trade activities in Japan, whose import data show more than $17.5 billion in agricultural purchases during calendar 1980.

In 1980, Japan was again the leading U.S. farm market with takings of $6.1 billion, up 16 percent from the previous year. The United States remained Japan's leading agricultural supplier last year, but holding this traditional top spot requires increased U.S. market development efforts in the face of the growing competition (See Fact File, page 21).

Last year, the U.S. Agricultural Counselor's office conducted three agent shows—in Sapporo, Sendai, and Fukuoka—that drew a combined 2,633 buyers and netted on-site sales of $391,850 and projected sales of $25.5 million.

The American Fun Food Festival in Tokyo, August 26-27, recorded on-site sales of $1.1 million and 12-month projections of $16.5 million while the Red Meat, Poultry, and Fish Exhibit, held in April, rang up on-site sales of $744,000 and 12-month projected sales of $23.5 million.

A Japanese Buying Mission, consisting of 33 buyers, visited U.S. exhibits in Philadelphia, Houston, Kansas City, and Seattle in September. Reported purchases during the 13-day tour totaled approximately $822,000, with 12-month projections placed at $10.4 million.

The principal foreign competitors of the United States in the lucrative Japanese farm market include Australia, Canada, Denmark, France, Italy, New Zealand, China, the United Kingdom, West Germany, Thailand, South Africa, Brazil, and Argentina.

These competitors will surely continue their strong promotion of farm products in the years ahead. Marketing methods include trade missions, buying teams, in-store promotions, promotional allowances, and point-of-purchase (POP) materials to retailers. The competitors also participated in international and solo food and beverage exhibits, with emphasis on the institutional trade.

To illustrate the scope of this competition, 13 countries participated in the 1981 International Hotel-Restaurant Food Exposition held in late March in Tokyo. Spacewise, Denmark, a participant since 1977, outranked the United States this year with an exhibit area of 580 square meters versus 365 square meters for the U.S.A. West Germany, participating in the show for the first time this year, reserved the second largest space—some 450 square meters.

At the huge Tokyo exposition, some 60 U.S. companies displayed about 500 products in 50 booths. U.S. participants reported that they made many new contacts with their counterparts in the Japanese food service industry, which represents a $5-billion market annually.

In an apparent desire to intensify its promotional activities in Japan, the British Trade Center last September moved its entire facility to the World Import Mart in the "Sunshine City" complex (Ikebukuro) in Tokyo.

Both China and the EC expanded their promotional efforts in Japan last year. In order to bolster bilateral trade with Japan, China staged a solo exhibit last August at the Ishikawa Prefectural Industrial Exhibit Hall. The show, emphasizing Chinese food specialities and alcoholic beverages, was China's most significant promotional endeavor in Japan since 1977.

Meanwhile, the EC conducted its first trade mission ever to Japan in February 1980. The mission, representing 22 processed food companies of EC member countries, was soon followed by two others (later in February and in March), with 54 companies participating. These activities represented a marked increase in the EC's promotion of processed foods in Japan.—*Based on a report from the U.S. Agricultural Counselor, Tokyo.* □

New Soviet Plan Implies Further Large Grain Imports

By David M. Schoonover

The strong livestock production growth called for in the Soviet Union's new 5-year plan (FYP) for agriculture and the apparent constraints on boosting production of grain and other feeds is likely to generate large grain import requirements during 1981-85.

The annual grain output goal is 238-243 million metric tons, on the average, durng 1981-85, and its meat production target is 18.2 million tons by 1985—both substantial increases from the 1976-80 plan. However, the new plan calls for at least 115 million tons of fertilizer to be supplied to agriculture, which is the same as the unreached FYP goal for 1980, and the rate of growth in capital investment in agriculture is planned to continue the downtrend evident in the previous plan.

At the same time, income and price programs, which will determine consumer demand, are expected to increase buying power in Soviet households.

Per capita incomes are planned to grow nearly as strongly during 1981-85 as during the previous 5 years. From 1980 to 1985, average monthly wages of workers and employees are scheduled to increase 13 to 16 percent. Actual growth from 1975 to 1980 was a little less than 16 percent—about 1 percentage point below plan. Some slowdown is evident from the higher income growth rates of the early 1970's, but the increase still is substantial.

Collective farmworkers' incomes from the public sector are planned to grow 20 to 22 percent, compared with a 26-percent gain during 1976-80. According to Soviet Premier Tikhonov, this income growth, when supplemented with household plot earnings, will bring total collective farmer incomes to about the same per capita level as for other workers.

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The pressures of higher incomes on demand could be alleviated by increasing retail prices, but apparently this is not planned. Pravda reported that Premier Tikhonov told the 26th Party Congress that the intention is to maintain stability in retail prices of the main food and nonfood goods.

Further aggravating demand pressures are the increased savings. By the end of 1980, total deposits in savings banks had reached nearly 150 billion rubles, equal to about 65 percent of total wage payments to workers and employees in 1980. A decade earlier, total savings deposits were 47 billion rubles—only 35 percent of annual wage payments in 1970.

Demand for livestock products, with the exception of eggs, has been repressed since 1975. Per-capita meat consumption in 1980 probably was on the same level as the 57 kilograms per capita consumed 5 years earlier. After making some temporary small gains in previous years, dairy product consumption in 1980 probably also fell to the 1975 level.

Additional research is needed on consumer demand relationships in the USSR, but previous studies have indicated relatively high income elasticities for livestock product demand. Following average worker income increases of 16 percent during the past 5 years and given plans for increases of an additional 13-16 percent during the next 5 years, the required growth in livestock product supply to meet demands must be substantial. As a minimum, meat supplies during this period probably need to increase at a parallel rate of growth with incomes, and most likely the needed growth is greater.

Production Goals

The continued rise in demand during 1981-85 will require substantial increases in supplies of agricultural commodities, particularly livestock products. Part of the needed food supply increase may be acquired by direct importation—of meats, for example, but the greater part will require increases in production. In the case of livestock products, increased production will generate a greater requirement for grains and other feeds.

Average production of most food commodities during 1981-85 is scheduled to increase from 13 to 18 percent over the previous 5-year average. On a per-capita basis, this is an increase of about 8 to 13 percent. In a very crude sense, this suggests that Soviet planners expect per-capita consumption of these items to increase at slightly lesser rates than incomes. Meat production is planned to increase 15 to 18 percent. Other commodities in the modal range are eggs, vegetables, and sugarbeets.

The planned growth in production of fruits and sunflowerseeds exceeds the 13 to 18 percent range; however, sunflowerseed production actually had declined in recent years.

On the other side of the range, milk production is slated to grow only 5 to 7 percent which is only slightly in excess of expected population growth. Grain production is planned to increase 16 to 19 percent. Planned production growth of natural fibers—cotton and wool—is low: 2-4 percent. Cotton output, however, generally exceeds official goals.

The planned production growth during 1981-85 of a number of commodities is comparable to accomplishments during 1976-80. The targeted grain output gain, however, is moderately greater, and the meat gain is sharply greater. Lastly, the sunflowerseed goal, if attained, would more than offset the declines of the past decade.

Resource Allocation And Production Prospects

Agricultural production accomplishments during 1981-85 will depend on resource allocations and the efficiency of their use—as well as weather conditions in individual years. Rates of increase in gross capital investments are planned to continue their downturn during 1981-85. Total capital investments in agriculture apparently are expected to increase about 20 percent during this period, compared with a little more than 30 percent during the previous FYP and 60 percent in the preceding one. The slowdown is evident in planned machinery deliveries and, to some extent, in land improvement targets. However, the plan guidelines call for agriculture to receive a share of

total investments no less than during the previous FYP.

In contrast, strong resumption in growth of fertilizer supplies is planned during 1981-85. Planned deliveries to agriculture in 1985 are up 40 percent over 1980, compared with an increase of only 12 percent over the past 5 years. The 115-million-ton goal for 1985, however, is the same as the original target for 1980. Consequently, even if it is attained, fertilizer supplies now are running 5 years behind schedule.

Conceivably, most crop production goals could be attained if all resource plans were met, thus avoiding limiting bottlenecks; if good advances were made in technology, particularly in the introduction of higher yielding varieties; and if weather conditions on the whole were favorable.

A coincidence of all the required circumstances for fulfillment of planned crop production growth would be unusual. Recent performance in production of fertilizer raises doubts about supplies of this key input, and at least one or two years of unfavorable weather for crop production must be expected. It is a taut plan in terms of resources allocated to attain planned crop goals.

The crop production plan is taut, but the feed resources available in the USSR to attain livestock production goals clearly are insufficient. Inadequate information is available about specific meat goals to assess feed requirements in more than rough terms. Implied grain-for-feed requirements by 1984/85, however, roughly are 150 million tons or more if grain feeding rates can be held at recent levels. The level of grain fed had reached a little more than 125 million tons in recent years, until tight feed supplies in the current year apparently resulted in some downturn. On the other hand, if the rates of grain fed resume their uptrend during 1981-85, grain-for-feed requirements likely will reach 160 million tons or more by 1984/85.

High Import Needs

The trade implications of these high requirements of grain for feed are dramatic. At a grain production level of 240 million tons, implied grain import requirements in 1984/85 range from 20 to 30 million tons, depending on the assumptions about feeding rates. Any substantial underfulfill-

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Bangladesh's Grain Output Equals Consumption for First Time Since 1971

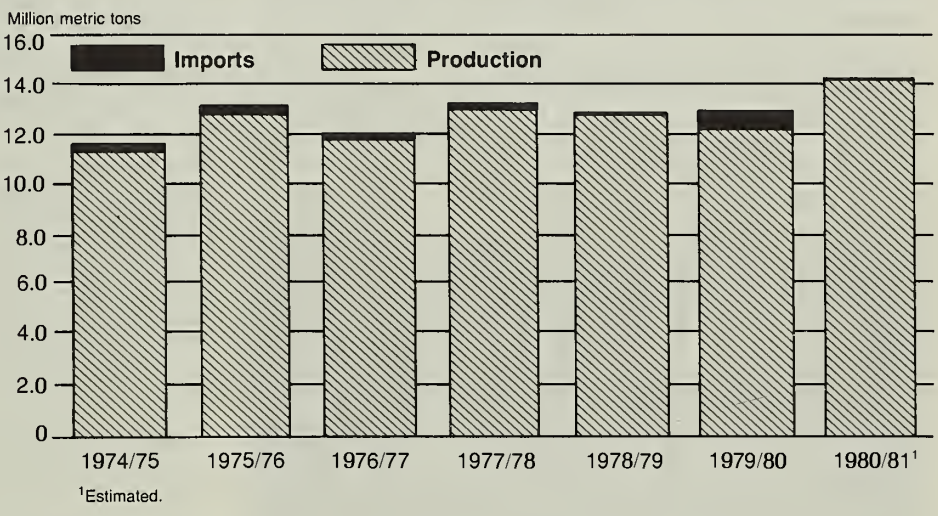
This year, for the first time since gaining its independence from Pakistan in 1971, Bangladesh grain production may about equal the country's consumption needs. This could be a temporary situation, however, because the size of the Bangladesh grain crop largely depends on the amount of rain brought inland each year by the monsoon, and this fluctuates from year to year.

Judging from Bangladesh's past grain imports (including rice)—which averaged 1.8 million tons for each year of the past 9—Bangladesh will continue to make sizable grain imports in the future, with much of the wheat coming from the United States.

The United States exported 1.1 million tons of wheat to Bangladesh in 1979/80 and 418,000 tons in 1978/79.

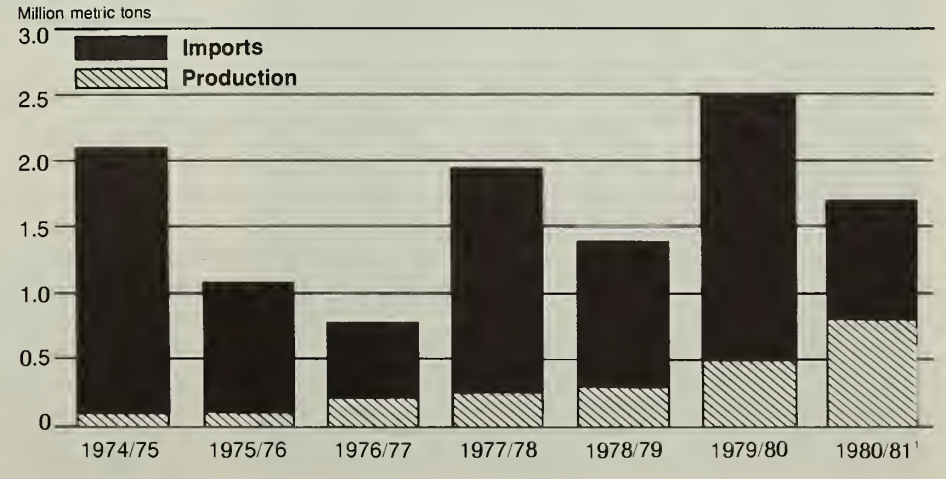
Rice is the diet staple in Bangladesh,

Bangladesh: Rice Production and Imports, 1974/75-1980/81



[1]Estimated.

Bangladesh: Wheat Production and Imports, 1974/75-1980/81



[1]Estimated.

which is the world's fourth largest rice producer. Instead of asking, "Have you had lunch (or dinner)?" the average Bangladeshi asks, "Have you taken rice?" But wheat is becoming better known and is gradually winning acceptance, largely as the result of imports under P.L. 480 and other food aid programs.

Since wheat is the food most food aid donors have supplied in past years, wheat imports have accounted for 80 percent of all grain imports during the past 9 years. Domestic wheat output also is on an uptrend.

The Government estimates per capita consumption of all grains at a relatively low 15.5 ounces per day. Thus, even if the country were self-sufficient at this low consumption level, people in Bangladesh would still be poorly fed by developed country standards.

According to the study, the average rural inhabitant consumes 807 grams (1.8 lb) of food per day, of which 523 grams (1.15 lb) is cereal grain. This total food consumption is considerably less than the 4.0 pounds per day consumed by the average U.S. citizen. The U.S. figure includes only 0.4 pound of flour and cereal products but 1.7 pounds of animal products (retail weight equivalent).

The improved Bangladesh production situation resulted largely from a monsoon in 1980 that brought abundant and well-distributed rainfall, but also partly because of greater use of high-yielding rice varieties, irrigation, fertilizers, and pesticides. However, the picture could change if the spring monsoon—usually starting in April—brings only limited rainfall and results in a sizable drop in domestic output and a consequent increase in grain imports.

The wheat crop harvested in 1980 was a record 823,000 tons, but it was still small compared with the 12.2-million-ton rice crop. In 1981, wheat production is expected to rise substantially to about 1.2 million tons, but it will still be considerably less than the expected 14.3-million-ton (milled) rice crop. Wheat is grown as a winter crop in rotation with summer rice or jute. Many Bangladesh farmers produce two grain crops a year, and in some years, three crops.

The 1980/81 rice crop was preceded by a relatively sizable one in 1979/80. However, the country is chronically short of grain, so the Government imported a relatively large 2.0 million tons of wheat in 1979/80 and rice exports during 1980/81 are expected to total about 700,000 tons.

These large wheat imports and rice production levels resulted in large Government stocks compared with storage availability by late 1980, and, consequently, storage problems for the 1980/81 crop.

Although the Government has purchased only about 2.8 percent of domestic grain crops during the past 9 years, it hopes to purchase one-half of the 1980/81 crop's marketable surplus, estimated at 20 percent of total production. This is equivalent to 10 percent of the total crop.

Total storage capacity for the Government's domestic grain purchases, as well as for imported grain, consisted of Government-owned and leased space to store 1.4 million tons of grain as of December 1980. However, the Government plan to expand storage capacity to 1.8 million tons (1.5 million tons of Government-owned space and 300,000 tons of leased space) by June 1981.

That part of the crop not purchased by the Government is either stored by farmers for their own consumption or purchased for resale by the private trade under Government regulation. This year, with the large crop and with Government warehouses overflowing, the Government has relaxed restrictions on the amount of rice private traders may hold. In fact, to encourage traders to buy more rice, the Government has raised the limit on storage volumes and the length of time rice may be held, as well as making available more Government credit for grain producers.

With the relatively limited storage capacity and the difficulty of administering a price support system for rice, there was considerable fear that prices might collapse when the aman (rainy season) rice crop—which accounts for about 56 percent of the total rice crop—was being harvested and sold during November, December, and January. Prices fell slightly—but not as much as expected—then they strengthened somewhat during January.

The national average retail price for paddy rice was 101-108 taka per maund as of mid-January; however, some producers were reported to be receiving well below the support price of 115 taka per maund for paddy rice and 175 taka per maund (equivalent to about 13 U.S. cents per pound) for husked rice. As of late 1980, some producers were reported to be receiving as little as 70-90 taka per maund of paddy rice.

The big question concerning Bangladesh's rice output is what effect recent low prices had on farmer growing intentions, particularly during the current boro (spring) rice-crop season.

Producers have little alternative but to grow rice during the rainy season. However, some producers have the alternative to use or not to use high-yielding varieties, fertilizer, and irrigation.

But these improved cultural practices cost more money than normal methods, and farmers will not use them unless they are sure they will receive adequate remuneration for the extra input cost.

—Based on report by Robert W. Johnson, U.S. Agricultural Attaché, and Mohammed Aktaryzzaman, agricultural economist, Dacca. □

Japanese Market

Continued from page 16

successful government/industry partnership.

Viewed from the U.S. side, this partnership has contributed substantially to the dramatic expansion in U.S. agricultural sales to Japan over the past 25 years. From the Japanese side, the partnership has played a key role in making the United States a dependable supplier of quality products.

Viewed from either side of the Pacific, this partnership is vital to the strong traditional agricultural trade relationship between the United States and Japan, resulting in a highly complementary type of two-way exchange that benefits both countries.

The United States provides 98 percent of Japan's import requirements for citrus, 95 percent of its soybeans, 90 percent of the corn, approximately 60 percent of wheat and tobacco, and more than one-third of cotton. For many other items, Japan's dependence on the United States is as great. Overall, the United States supplies more than one-third of Japan's agricultural import needs. □

Trade Competition in World Markets

Between the early 1950's and the end of the 1970's, world agricultural exports increased more than eight times, from about $27 billion to approximately $228 billion in 1979. U.S. agricultural exports were also exploding, increasing almost tenfold over the same period from $3.4 billion to $32.0 billion.

Clearly, the United States was not the only country entering the booming world food market. Even though its share of that market has increased from 12.7 percent to 16.3 percent, it has also had to face increasing competition from the agricultural exports of other countries.

The Foreign Agricultural Service (FAS) of the U.S. Department of Agriculture offers a range of market development services which help U.S. agricultural exporters in the battle for markets with competitors from other countries. In cooperation with nonprofit farm producer and trade organizations, FAS spent $34.2 million in 1979 for market development projects, which was 0.11 percent of the $32.0 billion exported that year.

But competing countries also have export market development programs. In 1979[1], eight of the major competing countries together spent $202.5 million to promote their farm exports, which represented 0.39 percent of their combined exports of $51.8 billion. This was a 14-percent increase over their 1978 export development expenditures.

Australia. In calendar 1979 Australia exported $6.6 billion in farm products. Australia competes with the United States chiefly in Japan and other Asian markets for sales of wheat, wool, beef, and lamb.

Australia's overseas market development is carried out by various marketing boards and corporations, assisted by the Trade Commissioner of the Department of Overseas Trade and Resources. The Australian Wool Corporation spent the great bulk of Australian market development funds in fiscal 1979, accounting for $59.6 million of the $65.4 million total.

[1]*Because of variations in reporting years and in the availability of statistics, 1979 is the latest year for which comprehensive information is available on market development by U.S. competitors. See notes in table for details.*

Other major marketing organizations include the Australian Wheat Board, the Australian Dairy Corporation, and the Australian Meat and Livestock Corporation.

Canada. In 1979, Canada exported $5.3 billion worth of agricultural products. Wheat is the main commodity competing with U.S. exports, especially to Europe and South America, as well as Japan.

Market development activities for agricultural exports from Canada are carried out by the Canadian Federal and Provincial Governments, and by crown corporations and commodity associations. The Department of Industry, Trade, and Commerce (IT&C) operates two main programs: The Promotional Projects Program and the

Advertisement in British retail trade magazine.

Program for Export Market Development. The latter was just recently organized, and promotes exports by sharing with the business community the financial risks of entering new overseas markets.

Denmark. In 1979, Denmark sold $3.9 billion worth of its farm products abroad, with Danish hams, pork products, and cheeses taking on U.S. producers for European markets. Danish agricultural exports are promoted with funds generated by production fees on a variety of farm products, as well as by other taxes. The Danish Government's Agricultural Marketing Board operates offices in Kuwait and Japan.

France. French agricultural exports totaled $15.6 billion in 1979, competing with the U.S. producer in Europe, the Mideast, and South America for sales of wheat, dairy products, wines, beef and poultry, and hardwoods.

The export agency SOPEXA and the French Center for Foreign Trade spent $17.6 million in 1979 in market development activities and research, concentrating most of their efforts on the other members of the European Community (EC). The Foreign Trade Minister has recommended the creation of a new association (AGRAL-EXPORT) designed to help small food enterprises export.

Israel. Exporting $780 million in farm products in 1979, Israel competed with U.S. producers of citrus, fresh fruits, and vegetables for markets in West Germany and the Scandinavian countries.

The Agricultural Export Company develops markets for all agricultural products except citrus, cotton, and peanuts. Citrus promotions are carried out by the Citrus Marketing Board, which spends about $5 million yearly. Most of its activity is in the European markets.

Netherlands. Exporting $14.9 billion in 1979, the Dutch competed with U.S. exports for European sales of dairy, pork, and poultry products, as well as flowers.

Major agricultural products are promoted by the Ministry of Agriculture and 11 Dutch trade organizations, which receive their funding from farmers and trade businesses.

New Zealand. In 1979, New Zealand shipped $3.0 billion in farm products, vying with U.S. wool exports all over the world, and with lamb and dairy exports to the United Kingdom.

New Zealand's farm exports are promoted chiefly by government-authorized producer boards. The New Zealand Dairy Board is one of the largest dairy organizations in the world.

South Africa. During 1979, South Africa exported $1.7 billion in agricultural goods, with corn, apple, and pear sales to Europe and Japan offering the greatest competition for U.S. producers. South Africa promotes its farm exports through a number of control boards, spending $14.8 million in 1979.

Example: Japan a Major Target

Market promotions by the major agricultural exporters, including the United States, can be found all over the world. But market development activity by U.S. competitors is especially intense in Japan, which is the No. 1 country market for the United States, and a major agricultural importer. (For more on Japan, see pages 15-17.) Japan imported over $16 billion in farm products in 1979, one-third of that from the United States.

In 1979, a record 49 countries promoted sales of their agricultural exports in Japan. Their activities included:

- Point-of-purchase and consumer promotions in department stores, supermarkets, and hotels promoting imports like Australian chilled beef and Danish dairy and pork products.
- Visits by large numbers of foreign trade missions and agricultural board teams, among them the Australian Wheat Board and Canadian food trade missions.
- Increased emphasis on processed food promotion, including confectioneries and candies; wine, brandy, and liquor; and processed meats.

U.S. farm exports are also heavily promoted in Japan. Many nonprofit producer and trade organizations plan to conduct market development activities in Japan during fiscal year 1981, with the cooperation and support of FAS.

These FAS market development cooperators have requested nearly $2.7 million in project funds for activities which have been developed from studies of the Japanese market.

Agricultural Exports and Market Development Estimated Expenditures of Principal Competing Countries,[1] Fiscal 1979

Country	Exports	Market development	Share of exports
	Bil. dol.	*Mil. dol.*	*Percent*
Australia[2]	6.6	65.4	.99
Canada[3]	5.3	5.5	.10
Denmark[4]	3.9	26.6	.68
France[4]	15.6	18.0	.12
Israel[5]	.78	7.2	.92
Netherlands[2 5]	14.9	37.2	.25
New Zealand	3.0	27.8	.93
South Africa[3]	1.7	14.8	.87
Total	51.8	202.5	.39
United States[6]	32.0	34.2	.11

[1]Exchange rate sources are: Treasury Reporting Rates of Exchange, Department of the Treasury Fiscal Service, Bureau of Government Financial Operations, the June or December quarter. [2]July-June year. [3]Export data based on calendar year, market development expenditures on fiscal year. [4]Data based on calendar year. [5]Information from embassy. [6]Includes FAS funds and contributions of U.S. market development cooperators.

Middle East

Cairo, Peninsular Tradesmen See New-to-Market U.S. Food Items

Views of processed food exhibit in Cairo, March 16-19: From top, reception for U.S. participants and Egyptian importers; George Mateljan, of Health Valley National Foods, Inc., showing natural foods to potential buyers.

Against a background of palms, the sphinx, and pyramids, representatives of U.S. food companies recently displayed new-to-market products to Egyptian tradespeople, kicking off a major campaign to enlarge the $1.4 billion U.S. market for processed foods in Egypt and the Arabian Peninsula.

During the Cairo showing, March 16-17 at the Hotel Meridien, the 30 American representatives made successful trade contacts that are expected to result in sales during the 12 months following the exhibit of some $2.3 million.

With only half the participants reporting, on-site sales of about $1.4 million were recorded in Cairo alone. Other immediate sales were made during a visit by a four-man sales team to four cities in Saudi Arabia and Bahrain following the Egyptian event; projected sales from the four-city visit are expected to be similarly high.

U.S. food exporters have a less than 10-percent share of this Middle East market, with total agricultural exports to Egypt, Saudi Arabia, and Bahrain reported at $1.15 billion in calendar 1980. Egypt and the countries of the oil-rich Arabian Peninsula import most of their food, and because they lack processing industries (or existing facilities are inadequate), most food imports are consumer-ready items.

So far, U.S. food exporters have successfully introduced to the market U.S. wheat, poultry, nuts, fruit and vegetable juices, preserved fruits and vegetables, and canned and prepared foods.

(Egypt was the second most important export market for U.S. poultry meat last year—following Japan—with Egyptian imports of $47.8 million.)

Strong sales opportunities still exist in Egypt and on the Arabian Peninsula for new-to-market dairy products, cooking oils, canned meats—including luncheon meats—canned and fresh poultry parts, fresh and frozen eggs, frozen beef liver, and a wide variety of canned, frozen, and processed fruits and vegetables.

Also having possibilities in the Egyptian and Arabian Peninsula markets are specialty items such as baby, dietetic, health, and snack foods, various sweeteners, powdered fruit drinks, ready-to-serve packaged and frozen foods, including cake mixes, prepared dinners, popcorn, and instant rice, and canned fish.

Many of these new-to-market products were shown for the first time in Egypt, Saudi Arabia, and Bahrain by the U.S. exhibitors and trade team members, but the market remains wide open for the introduction of other products. Exporters are advised to examine this market closely when preparing export plans.

FAS schedules a number of food exhibits and sales team visits each year, and food exporters are urged to participate. During the remainder of fiscal 1981, these will include solo exhibits in Hong Kong and the Bahamas in September, as well as sales team visits to the Ivory Coast and Taiwan.

Exporters interested in participating in these and other FAS events are invited to contact the Export Trade Services Division, Foreign Agricultural Service, USDA, Washington, D.C. 20250. Or telephone (202) 447-6343. An exhibit schedule for the balance of calendar 1981 is given on page 31. Other information to aid exporters is available from FAS. □

OECD

Deliberations Help Solve Many Farm Trade Problems

Several factors, including continued inflation, slow economic growth, and market instability contributed to greater than usual uncertainty in world agricultural commodity markets in 1980.

This complicated the work of the Organization for Economic Cooperation and Development (OECD)[1], whose 24 member countries together ship most of the world's exports of grain and livestock products, and supply essentially all world food aid. Among the objectives of the Paris-based organization is to reduce potential areas of conflict in world trade—including agricultural trade.

In trying to achieve these objectives in calendar 1980, the OECD held 26 formal agricultural meetings in its various committees and working parties. Tangible results ranged from a specific agreement setting an international standard for seeds to a generalized study of the instability of commodity prices and an appraisal of policies to reduce the impact of such instability on trading economics.

The study of market instability and its effects was completed in the Joint Working Party on Trade and Agriculture.

Also during 1980, this group initiated two additional studies: The first dealt with agricultural trade relationships among the OECD countries, and the second with the increasingly important trade between OECD member countries and the developing world. These studies—when completed—will provide the basis for OECD discussions on trade-policy directions for the next several years.

The Joint Working Party—to be chaired by the United States in 1981—each year examines country policies that tend to restrict imports and build exports. All member countries submit for discussion proposed changes in such plans. The objective is to inform trading partners of intended alterations and to hold initial consultations to resolve potential conflicts.

Domestic agricultural policies also are reviewed in the Working Party on Agricultural Policies. These annual studies of agricultural policies of OECD member countries are held to inform other countries fully about contemplated policy changes. Among the benefits accruing to U.S. agriculture from these meetings is the knowledge gained about trading-partner policies that influence U.S.

[1]*The OECD is made up of Western European countries, including all the members of the European Community, the United States, Canada, Japan, Australia, and New Zealand. Yugoslavia also participated with special status.*

United Kingdom

Troubles Still Stalk Dairy Industry As Yields Offset Declines in Milk Cows

The British dairy industry is in trouble. Although cow numbers are expected to fall again in 1981, increased yields will push milk production up another notch.

With liquid consumption on the decline, milk for manufacturing purpose is seen expanding again this year, resulting in a large output of dairy products.

But the difficulties of mounting energy costs, high inflation, and a cost/price squeeze facing many farmers in the United Kingdom are compounded in the case of milk producers by the oversupply situation within the European Community (EC).

To complete the irony, exports of dairy products in calendar 1980 led the nation in food export earnings. Meanwhile, a national milk debate rages among interest groups over EC policies, rising milk prices at home, and the hopes of greater returns for producers.

For 1980, U.K. milk production is now estimated at 16.2 million metric tons, up 2 percent from 1979's level—and another 1-percent gain is seen for 1981. The number of milk cows has steadily declined.

Nearly 4,500 farmers stopped production of milk during the past year, but improved yields have helped maintain total milk output.

The objective of the U.K. milk industry is to be profitable and expand where economically sound. At the same time, it is refusing to pay for over-production in other EC countries. The National Farmers' Union has stated that any EC solutions must not discriminate against U.K. milk producers.

British health controls that effectively prevent milk imports have been contested by the EC Commission, and the European Court of Justice is expected to rule on the legality of the controls sometime this year.

The Milk Marketing Board has argued that imported milk will ultimately push up the cost of the doorstep delivery system in the United Kingdom as shops take a greater share of total sales. It is also argued that reduced doorstep deliveries would result in a further decline in liquid consumption.

In recent months, the U.K. dairy industry has come under sharp criticism from the Consumers' Association. This group has urged the Office of Fair Trading to investigate the distribution of milk and has called for the milk trade to be referred to the Monopolies Commission.

The Association argues that milk is sold to dairy companies by a monopoly—the Milk Marketing Board—and distributed by companies whose profit margins are guaranteed by the Government—and, with imports virtually banned, there is little competition.

Because of the increasing output of dairy products, the Milk Marketing Board hopes to accelerate its activities aimed at developing large export outlets for U.K. dairy products.

During January-November 1980, exports of U.K. dairy products earned $502 million, compared with $646 million during the comparable 1979 period.—*Based on a report from John C. McDonald, U.S. Agricultural Counselor, London.* □

farm production and income, as well as presenting U.S. representatives with the opportunity to explain U.S. policy stances. Such information provides member governments with a better appreciation of the economic and political reasons for specific actions, and may prevent minor disagreements from escalating into major trade disputes between OECD members.

Specific studies undertaken in the Working Party may serve the same purpose. For example, an effort was initiated in 1980 to appraise policies in the dairy sector of OECD countries. Many countries have dairy policies that result in relatively high support prices that often bear little relationship to world price levels based on comparative advantages. In addition to stimulating output and contributing to unwanted dairy stocks, such policies often inhibit the free flow of trade.

The objective of this study was to make known the domestic supply and demand effects of the policies—and their costs to national treasuries and consumers—to encourage concerned governments to adopt more open and harmonious dairy policies.

The OECD's major work dealing with commodities occurs in individual working groups. During 1980, for example, an earlier U.S. proposal resulted in the creation of a major Working Party on Commodity Analyses and Outlook.

In addition to the major policy-level committees, there are a variety of specialized OECD agricultural groups that meet regularly to improve understanding and—perhaps more importantly—to facilitate the commercial mechanisms that are important in the business world. For example, one committee meets to promulgate international quality standards for fruits and vegetables.

In 1979, new standards were approved for apricots, citrus fruits, celery, brussels sprouts, and garlic.

The United States, although not bound by the standards code, takes an active role in committee programs. U.S. participation permits this country to influence the standards-setting process and to obtain information that assists potential and actual U.S. exporters to meet OECD requirements.

In 1980, minimum standards for varietal purity were upgraded for soybeans and peanuts. Without such standards, U.S. seed exporters might not be allowed to offer these products for sale in countries requiring officially agreed-on standards.

Perhaps the most important OECD agricultural activity in 1980 was a conference where agricultural ministers met their counterparts and discussed mutual problems and policy issues. The three major agenda items were: Food and agricultural policies, improving the functioning of agricultural markets, and agricultural and food problems of developing countries.

In a longer run context, some of the most productive OECD agricultural work takes place in special, or ad hoc, sessions to discuss a wide variety of topics. In 1980, three seminars were held. One brought together directors of advisory (extension) services from the agricultural ministries of member countries to discuss common problems and opportunities for cooperative activities.

The OECD, through its many seminars and international commodity analyses, fosters better international understanding of some of the problems inherent in agricultural trade. Its greatest contribution could be to persuade some of its member countries to adopt policies that promote expanded and freer world trade.—*Fred A. Mangum, U.S. Agricultural Counselor, OECD, Paris.* □

Canary Islands

Location Offers Strong Sales Chances for U.S. Food Exporters

Portside grain silo at Las Palmas, Canary Islands.

The Canary Islands, situated off the northwest coast of Africa, serve as a strategically located supplier to ships plying the Atlantic, as well as to countries on the African Continent. These needs, as well as the requirements of the islands' citizens, tourists, and business visitors made it a market for about $49.4 million worth of U.S. agricultural exports in fiscal 1980—25 percent greater than the fiscal 1979 level of $39.5 million. And future growth possibilities are strong.

In recent years, about 10 percent by value of all agricultural products imported into the Canary Islands originated in the United States most of which is corn.

Principal U.S. agricultural exports to the Canary Islands in fiscal 1980, with values in millions of dollars, were: Grains and preparation, mostly corn, $11.7; leaf tobacco, $21.0; frozen poultry, $10.9; processed foods, $3.1; and meat and meat products, $2.3.

An FAS sales team visited the Canary Islands early in the current U.S. fiscal year to promote U.S. food sales. The team consisted of representatives of six food exporting firms headquartered in California, Georgia, Massachusetts, and New York, who exhibited their products in Las Palmas, and met with local tradespeople and Government officials.

Sales possibilities for U.S. exporters are excellent since farmers on the islands cannot meet the demands of the 1.25 million islanders, the 2 million tourists who flock to the islands each year, and the thousands of Spanish businessmen who come there on a regular basis. Furthermore, the island's imported food supplies originate in world markets rather than in Peninsular Spain, and are used in large volume to stock passing ships, as well as being sold to many of the new nations on the African Continent.

These facts assure that sales of U.S. food products to the Canary Islands could be sizable, and the island's free-port status eliminates most of the entry requirements experienced in other countries.

By category, the top 10

agricultural products imported by the Canary Islands from all sources, in calendar 1979, with values in millions of U.S. dollars, were: Red and variety meats and products, $104.1; tobacco products, $102.3; seafood and seafood products, $37.5; cocoa, coffee, tea, and maté, $37.1; poultry, poultry variety meats, and game, $34.7; milk and dairy products, $31.4; alcoholic beverages, $27.5; cereal grains, $25.9; fats and oils, $25.6; and miscellaneous food products, $14.0.

Other agricultural imports ranged from vegetables, pulses, and tubers (with a value of $13.0 million), to miscellaneous products of animal origin or source ($98 million).—*Based on report by Carlos Perez de Rubin, agricultural specialist, U.S. Office of Agricultural Affairs, Madrid.* □

Hong Kong

U.S. Moves to Second Place As Colony's Ginseng Supplier

For the second year in a row, China has replaced the United States as top supplier of ginseng to Hong Kong, the world's largest market for ginseng. In recent years, the Crown Colony has taken an estimated 85 percent of U.S. production[1], making it the third most valuable U.S. agricultural export to Hong Kong behind raw cotton and oranges.

In 1980, the United States was in second place as a source of Hong Kong's ginseng imports, supplying 224,924 kilograms. A year earlier, the United States had been the third-place supplier, with shipments of 150,253 kilograms.

One of the most significant ginseng trade developments in 1980 was the tremendous surge in Hong Kong's ginseng imports from China. In that year, Hong Kong imported 402,000 kilograms of Chinese ginseng (45 percent of the import market), more than double the 197,000 kilograms imported in 1979, and markedly higher than the 169,000 kilograms imported from China in 1978.

China replaced the United States as Hong Kong's No. 1 ginseng source in 1979, and maintained that position in 1980. With reported expansion of ginseng production in the northeastern Provinces of China, and obvious cost advantages vis-a-vis the United States and other supplier countries, China is expected to maintain the top position in the Hong Kong ginseng market.

Despite the growing prominence of China—and increases in U.S. ginseng prices—the United States is expected to maintain its approximately 25 percent market share. It appears from official Hong Kong trade statistics that the Chinese ginseng market is expanding at the expense of Japanese and South Korean ginseng, rather than displacing U.S. ginseng.

According to Hong Kong trade sources, American ginseng and Asian ginseng varieties are used for different purposes in Hong Kong, and are, therefore, not in direct competition for the same market.

In 1980, Hong Kong's total ginseng imports were a record 895,000 kilograms, up from 668,000 kilograms in 1979 and only 200,000 kilograms in 1970. In addition to the United States and China, Hong Kong also imported ginseng from Japan (143,000 kilograms), South Korea, (41,000), Singapore (32,000), North Korea, (30,000), and Canada (1,000 kilograms).

U.S. ginseng prices increased by 20 percent between 1979 and 1980, while prices of Japanese and South Korean ginseng rose by 17 percent and 38 percent, respectively, during the same period. Chinese ginseng prices were relatively stable in both years.

Hong Kong's re-exports of ginseng, both raw and further processed, have risen significantly in recent years, reflecting primarily stronger demand for processed ginseng products in several East Asian countries. In 1980, Hong Kong's ginseng re-exports reached a record 206,000 kilograms, compared with 198,000 kilograms in 1979 and only 21,000 kilograms 10 years ago.

Taiwan, Singapore, and Japan have traditionally been the largest markets for Hong Kong's re-exported ginseng. In 1980, Taiwan was the most important recipient of Hong Kong ginseng, taking 52,000 kilograms. Hong Kong also shipped 46,000 kilograms to Singapore, 36,000 to Japan, 20,000 to Malaysia, 14,000 to China, 13,000 to the United States, and 10,000 to Thailand. Together these seven countries received 93 percent of Hong Kong's re-exported ginseng in 1980.—*From report by William C. Tinklepaugh, U.S. Agricultural Officer, Hong Kong.* □

[1]*No officiol stotistics ore ovoiloble for U.S. ginseng production, olthough the trode estimotes thot 90-95 percent of the U.S. ginseng crop is exported, ond of thot, 85-90 percent goes to Hong Kong.*

Brazil

Florida Freeze Brings Boost in Orange Juice Exports to U.S.

Brazil's orange juice exporters are boosting shipments to the United States as the result of frost damage suffered by the Florida citrus crop in early 1981.

Brazilian citrus juice producers entered calendar 1981 with a burdensome stock of frozen concentrated orange juice (FCOJ), the result of limited 1980 exports to the United States, where a sizable crop had forced orange juice prices down. With the 1980/81 U.S. crop expected to be in the neighborhood of 200-million-plus boxes, prospects also appeared dim for Brazilian juice exports to this country in 1981.

However, the situation changed abruptly on the night of January 13, 1981, when a freeze in the Florida citrus belt inflicted heavy damage to the State's orange crop, causing Brazilian FCOJ exporters to recast their export plans for the United States.

The FCOJ stock carryover from 1979 production was 75,000 tons in June 1980. By the end of January 1981, the total had jumped to 275,000 tons. All of these supplies, plus the small amount produced in February, were committed to the export

market shortly after the January freeze. About 180,000-200,000 tons of 1980/81 exports will be shipped to the United States. A similar quantity is season.

With these exports using up most of the onhand stocks, traders foresee an inventory at the end of the shipping season (June 31, 1981) of only about 30,000 tons of pipeline stocks.

São Paulo—the State which accounts for close to four-fifths of Brazil's orange production and virtually all of its FCOJ output—is expecting a 1981 orange crop (harvesting started in May) equal to, or slightly below, 1980's 171 million boxes (40.8 kg each). This modest forecast is attributable to the poor care given to orange groves during the 1980 season because of the expectation that 1981 would be a poor export year.

About 135 million boxes of oranges and tangerines were processed during the 1980 season (May 1980-Feb. 1981), yielding 486,000 metric tons of 65° brix FCOJ.[1] The amount to be processed in the 1981 season is expected to be equal to, or slightly more than, 1980's production.

São Paulo's FCOJ industry now has the capacity to process over 200 million boxes of oranges and tangerines per season, more than double the installed capacity 3 years ago. The two largest firms control about two-thirds of this capacity, two medium-sized companies have another quarter, and the remaining 6-8 percent is divided among five other companies, all of them recent entrants into the business.

Within the past 2 years, the large- and medium-sized processors of orange juice have installed bulk storage facilities (tank farms), and one medium-sized firm has begun to export frozen orange juice concentrate in bulk to Europe aboard a tanker ship. One of the larger firms will start to make bulk shipments to Europe within a year.

About 60-70 percent of Brazil's FCOJ meets Florida's quality standards.)

The outlook for the next few years is that São Paulo will continue to increase its production and processing of oranges. By 1984 or 1985, the State's oranges available for processing could total about 170 million boxes, 25-30 percent above the 1980 level. This is somewhat lower than forecasts made several years ago, a fact attributable to a falloff in new plantings in 1980 and a small loss of area to sugarcane during the past year or so.

Because of a shortage of planting stock, few groves will be planted in 1981, but the pace should pick up in 1982. The Florida citrus freeze, and the resulting higher prices for orange juice, have stopped, temporarily, at least, the swing from orange to sugarcane production.

However, the amount of land currently devoted to sugarcane production limits the area into which citrus production can expand. At the present time, the only area where a substantial shift to citrus production can take place is in the grazing areas along the northern edge of the citrus-growing zone.—*By Edmond Missiaen, Horticultural and Tropical Products Division, FAS.* □

[1] *One metric ton of 65° brix concentrote equals 331.6 gollons of 43.4° brix concentrated juice.*

Senegal

Short Peanut Crop Continues Downtrend, May Reduce Dependence on Peanut Exports

Senegalese child entertains herself while mother sorts peanuts.

Senegal's 1980/81 peanut production fell to its lowest level since 1960. Unfavorable weather conditions largely caused this decline, while problems with the Government's marketing policy resulted in deliveries to crushing mills well below expectations.

Consequently, the country's traditional dependence on export earnings from peanut products will have to be reconsidered. So far, that dependence has been greatly diminished, yet the difficult economic situation this year points up its continued importance in the Senegalese economy.

The 1980/81 peanut crop is 450,000 tons (unshelled basis), 25 percent below the 1979/80 crop of 600,000 tons. The late arrival of rains, followed by an unusual 6-week dry spell, and an early cessation of rainfall caused the drop in production. In addition, poor quality seed from the previous season and persistent ecological problems such as soil erosion, degration, and declining fertility all contributed to the poor harvest. Concomitantly, Government policy contributed to the production decline this year.

As of October 1, 1980, the National Organization for Cooperation and Development Assistance (ONCAD), the Government agency charged with handling peanut purchases and input distribution, was abolished because of alleged mismanagement. In recent years, farmers had contended the agency had been unresponsive to their needs, late in delivering inputs, and unwilling to alter its pricing policies.

ONCAD also had drawn the ire of farmers during the 1978/79 growing season by calling in loans made to cooperatives, and refusing to provide seeds and other inputs to cooperatives that reneged on their loans. Because of this, many producers had little or no seed, and were unable to purchase other inputs. As a result, some growers had no choice but to reduce growing area, or even to stop produc-

ing peanuts altogether.

Other farmers, who became reluctant to deal with ONCAD, deliberately reduced growing area, and continued to do so for the next several seasons. This year was no exception.

During the early months of 1981, when peanut marketing was begun, ONCAD's absence caused problems for the Government. With no single official marketing agent to buy peanuts, an unofficial, parallel market developed through which farmers sold to private traders, built stocks for later sales or for use as seed, or sold their output in local markets. Consequently, a part of this year's crop probably moved illegally into the Gambia, where the harvest also was poor.

But more important, sales to the Government have been limited, as only 180,000 tons of peanuts have been collected in 1980/81. Of this 180,000 tons, up to one-half could be kept for national seed stocks, while the remainder may be crushed.

Since the oil mills have an annual capacity of 850,000 tons, the Government reportedly is considering importing sunflower seeds to keep the mills operating. Sunflower oil also is being imported to satisfy the need for vegetable oil.

Peanut oil and meal are normally Senegal's most important export products, accounting for up to 40 percent of its foreign exchange in years of high production. However, this year's meager oil and meal outturn will earn much less than the Government anticipated. This decline in revenues will cause serious financial problems in the economy, which is still recovering from the impact of last year's petroleum cost increases.

To improve its economic situation, Senegal has made new loans from the International Monetary Fund and from France, while also implementing austerity measures to control the national budget. The abolishment of ONCAD was intended to reduce Government cost and promote increased deliveries to the crushing mills, but, in fact, it resulted in a smaller proportion of the crop being sold to the mills. Thus, exports of peanut meal and oil will be reduced and foreign exchange earnings sharply lower.

Changes are needed not only in Senegal's marketing policy but in its dependence on peanuts for export income. If the pattern of reduced production and export earnings continues as it is now going, Senegal will no longer be able to rely so heavily on peanuts. It will have to broaden the range of possible export products it can produce to earn foreign exchange.—*By Michael A. Cullen, Economic and Statistics Service, USDA.* □

China

Grain Prospect Seems Improved in Drought-Struck Hebei Province

Despite some improvement in precipitation levels this spring, Hebei Province in Northern China continues to be affected by the drought that began there in July 1979. Only adequate summer rains and good autumn grain crops will alleviate the widespread undernourishment reported by a United Nations survey team that visited the area in January 1981.

Responding to an unprecedented request from China for international food aid, the team toured both Hebei and the flood-ravaged Hubei Provinces of Central China. On the basis of the team's recommendations, some $700 million in international assistance has been requested for the two Provinces.

It is still too early to predict the outcome of Hebei's 1981 grain crop, although conditions so far point to some improvement from the drought-stricken 1980 level. Spring precipitation this year has been marginally better than in 1980, but still far below normal. In addition, the 1980/81 winter wheat area was below the previous year's because of the late harvest of 1980 autumn grains. The well-being of many of Hebei's citizens thus hinges on ample rains this summer and a good harvest of autumn grains.

Last year, the drought was hard on Hebei's winter grain crop, which normally accounts for around 35 percent of the Province's total grain harvest. An almost total absence of rain during the winter of 1979/80 caused production of winter grains to plummet from 6.3 million tons in 1979 to an estimated 3.9 million in 1980. The autumn grains, which make up the rest of the area's production, was down from 11.5 million tons in 1979 to 9.2 million tons in 1980. Overall, the crop production dropped 25 percent from 1979/80, with winter wheat experiencing a 38 percent decrease, while the other crops dropped 20 percent.

Annual precipitation for the Hebei area averages about 600 millimeters (24 inches) per year, of which 75 percent falls in the summer months. So-called normal precipitation for the dry winter months is only about 6 inches. However, this small amount of moisture is critical for the winter wheat crop.

Planting of winter wheat occurs in the fall and the crop lies dormant during the winter months. Snow and rain during this period are important so that the crop can withstand the harsh winds that blow down from the north during the spring. For the second straight winter the area did not receive the amount necessary to promote average production. In these dry Hebei areas, which are considered only marginally suitable for growing winter wheat if not irrigated, at least 55 percent of the area is watered.

After visiting the disaster-stricken areas in January, the U.N. team estimated that about one-fourth of the people in Hebei and Hubei Provinces are undernourished. These people are consuming about 1,200 calories per day, barely adequate for subsistence, and well below the 2,800 calories considered a normal intake.

Efforts within the Provinces are continuing to expand and/or rejuvinate water control systems. Activities include refurbishing existing wells, sinking deeper ones, and constructing water diversion and storage facilities.

In Hebei, the drop in available water because of the drought has limited farmers' ability to irrigate their fields. The prolonged lack of precipitation also has drawn down existing soil moisture and, therefore, more irrigation is necessary to maintain yields.—*By Robin Tilsworth, International Trade Policy Division, FAS.* □

TRADE BRIEFS

Poland Buying 60,000 Tons of U.S. Dairy Products

In an effort to relieve its domestic food shortage, Poland has contracted to buy 30,000 metric tons of butter and 30,000 tons of skimmed milk powder from the United States in what U.S. Secretary of Agriculture John R. Block has termed as "one of the largest sales of surplus dairy products on a government-to-government basis in U.S. history." The purchases will come out of the stocks acquired by USDA's Commodity Credit Corporation (CCC) as part of the dairy price support program. Block said the sale, estimated at more than $70 million, "will certainly help the people of Poland at a time when they need food. It also will help remove some of the dairy surplus stocks which are being held by the CCC."

U.S. Sales, Contacts Brisk at Verona Fair

With good weather prevailing throughout the 9-day event, more than 500,000 visitors thronged the Verona International Fair, Italy's most prestigious agricultural fair. Some 14 U.S. firms and market development cooperators participated in the annual event, which closed on March 15. Onsite U.S. sales totaled $143,000, with projected 12-month figures placed at $1.9 million. Besides the impressive sales, all U.S. participants reported achieving their primary objectives of increasing contacts and product line exposure.

EC Council Okays Farm Price Package

In its final 1981/82 farm price package, the European Community (EC) Council of Ministers recently approved an average price increase of 9.5 percent for all commodities—in contrast to the 15.3-percent hike advocated by the European farmer's union. Constrained somewhat by the rising costs of the EC's Common Agricultural Policy (CAP) program, while under pressure to curb the steady decline in EC farmers' real income, the Council's decision represents the largest average price increase since the early 1970's.

Canadian Cabinet Approves Creation Of Export Agency

The Canadian Cabinet recently gave its stamp of approval for the creation of a federal agricultural export corporation called CANAGREX. Agriculture Minister Eugene Whelan will soon submit legislation to Parliament to establish CANAGREX and allow for an initial operating budget of Can$12.3 million for the first 3 years. Along with functions of market development, export financing, and perhaps an expanded attaché service, CANAGREX also will be able to engage in direct government sales. All agricultural products, both raw and processed, with the exception of those now marketed by the Canadian Wheat Board and Dairy Commission, will be included in CANAGREX's proposed marketing strategy.

U.S. Farm Exports To Mexico Expected To Exceed Pact Terms

With Mexico's expanding domestic demand largely offsetting its production gains this year, U.S. agricultural exports to Mexico probably will exceed the upper limits of the 1981 U.S.-Mexico Agricultural Supply Agreement. The Agreement calls for U.S. farm exports to Mexico in the range of 6.15-8.18 million metric tons during 1981. By the end of April, sales of U.S. commodities under the Agreement had reached 5 million tons, and full-year totals could be 10 million tons. With only a few exceptions, all sales contracts called for shipments during the first half of the 1981. Demand is especially strong for grains, oilseeds, and pulses. If domestic production is average or better this year, Mexico could improve on its stock levels.

EC Wheat Exports May Rise Sharply To 14 Million Tons

The European Community (EC) has taken an increasingly aggressive stance on wheat exports, which some sources now believe will exceed 14 million metric tons in 1980/81, up from the previous estimate of 13 million tons. If the higher figure is realized, EC wheat exports would account for roughly 15 percent of global trade. This would be a sharp rise from the 1979/80 export level of 9.6 million tons of wheat, which accounted for an 11-percent share of the world wheat trade.

Argentine Corn Crop Seen at Record High

Argentina's 1980 corn crop is expected to reach a record 13 million metric tons, primarily because of ideal weather that prevailed at least through mid-April. Yields are forecast at a new high of 3.8 tons per hectare, compared with the previous high of 3.65 tons set in 1978. Corn exports also are projected at a record level of 9.6 million tons, compared with last year's reduced volume of 3.4 million tons. Sorghum production is estimated at 7.2 million tons, equal to the previous record set in 1978. Sorghum exports could total 4.7 million tons, more than three times greater than last year's 1.5 million tons.

ICO's Coffee Council Adjusts Some Quotas, But Defers Major Issues

At a recent meeting in London, the International Coffee Organization's Coffee Council approved several agenda items, including some quota adjustments for member countries, but left unresolved for its September 7-18 meeting some major issues, such as the future of the 1976 agreement and new quotas for the upcoming 1981/82 marketing year (Oct.-Sept.). The Council's meeting was held March 30-April 3. The current agreement, dating back to 1976, is due to expire September 30, 1982.

Here & There

Japan's beef consumption dropped 3 percent in 1980, the first decline in 7 years. Wholesale beef prices have fallen sharply over the past few months, but consumers have not seen this reflected in retail prices. . .A new brand of cigarette, named "Champagne," reportedly will soon be sold in France, Japan, Austria, and Italy. The product resulted from joint efforts by the French, Austrians, and Japanese to compete with American-type cigarettes in these markets. . .Thailand's Agricultural Cooperatives Federation hosted a Soviet cooperative delegation earlier this year. Discussions included the possibility of direct trade between the two national cooperative groups, and training grants for Thai citizens to learn about cooperatives in the Soviet Union.

Exporters Can Gain From FAS Year-End Exhibit Plans

During the latter months of calendar 1981, FAS will sponsor a number of promotional activities designed to help boost exports of prepared foods. U.S. food exporters will find it advantageous to plan to participate in these events.

Included are:

- U.S. solo and/or attaché exhibits in three cities;
- Sales team visits to four cities;
- Food exhibits at U.S. Agricultural Trade Offices in two cities; and
- Participation in international expositions in three cities.

A full listing follows:

September—

8-9 HONG KONG—Solo U.S. food exhibit.

14-15 TAIWAN, Taipei—U.S. food sales team from Hong Kong.

15-17 BAHAMAS, Nassau—Solo U.S. food exhibit.

18-27 ITALY, Cremona—International Dairy Cattle show.

23-25 NIGERIA, Lagos—U.S. Agricultural Attaché food product display.

25-26 NETHERLANDS ANTILLES, Curacao/Aruba—U.S. food sales team visits and Aruba Culinary Week (tentative).

28-29 IVORY COAST, Abidjan—U.S. food sales team.

October—

10-15 WEST GERMANY, Cologne—ANUGA International Food Show.

To be announced.

UNITED KINGDOM, London—U.S. Agricultural Trade Office Show for ANUGA participants.

November—

12-18 SWITZERLAND, Basel—IGEHO International Hotel/Restaurant Food Show.

Dates to be announced.

WEST GERMANY, Hamburg—U.S. Agricultural Trade Office Show for IGEHO participants (tentative).

UNITED KINGDOM, London—U.S. Agricultural Trade Office exhibit for IGEHO participants.

FAS food exhibits serve participants in many ways. For the new exporter, they provide an opportunity to introduce their products in as yet untapped markets. For the firm already well established as an exporter, they give a chance to strengthen sales contacts made previously. For both, they give an excellent medium through which to locate overseas agents to handle their food products.

In the first part of 1981, FAS participated in events in South and Central America, Europe, Asia, and the Mideast. These activities ranged from an Attaché food-product display in Santo Domingo to a solo U.S. food exhibit in Cairo, Egypt, followed by sales food team visits to Bahrain and Saudi Arabia. FAS also sponsored participation in Foodex Japan '81 International Hotel, Restaurant, and Institutional Exhibit in Tokyo, the EXPICA Livestock show in San Jose, Costa Rica, and international food, agricultural, and livestock expositions in Rimini and Verona, Italy, and the Paris Agricultural Show.

Exporters interested in participating in any of the remaining 1981 promotional events can get full information from the Director, Export Trade Services Division (ETSD), FAS, Washington, D.C. 20250. Telephone (202) 447-6343.

(ETSD also offers a wide variety of other services to food exporters. Write to the address cited above for information.) □

FAS Survey of Average Retail Food Prices in Selected World Capitals, May 5, 1981

[In U.S. dollars per kg[1] or units as indicated, converted at current exchange rates]

Item	Bern	Bonn	Brasilia	Brussels	Buenos Aires	Canberra	Copenhagen	London	Madrid	Mexico City	Ottawa	Paris	Rome	Stockholm	The Hague	Tokyo	Wash. D.C.
Steak, sirloin, boneless	15.52	11.32	3.00	10.34	5.74	8.56	11.38	14.17	7.15	5.40	7.00	9.34	10.64	15.76	9.91	36.41	6.37
Roast, chuck, boneless	8.24	5.30	2.68	5.96	5.10	5.47	8.61	6.48	5.06	4.99	5.66	9.19	8.87	10.00	6.21	22.58	4.83
Pork chops	8.00	5.21	2.80	4.27	4.79	5.82	4.95	5.69	3.64	4.71	4.85	4.67	5.32	8.58	4.97	7.24	5.27
Roast, pork, boneless	11.88	5.13	4.61	4.54	7.34	5.53	6.70	4.80	6.04	6.27	4.67	5.37	5.77	14.66	6.17	8.48	2.73
Bacon, sliced, pkgd.	5.09	7.62	6.60	4.87	8.61	7.75	6.97	7.83	7.58	4.61	4.13	17.82	7.00	9.71	9.11	9.60	3.62
Broilers, whole	2.96	1.92	1.58	2.94	3.00	2.13	3.30	2.24	1.30	3.14	2.61	3.30	2.48	4.67	1.65	3.80	1.08
Eggs, dozen	2.04	1.38	.91	1.41	1.91	1.71	1.84	[2]1.74	1.27	.89	1.05	1.86	1.40	2.34	1.10	1.27	[3].79
Butter	7.39	4.24	2.88	4.46	6.54	2.89	3.92	3.60	7.19	6.03	3.48	4.88	4.77	4.27	3.32	5.99	4.89
Margarine	2.72	1.41	1.77	2.28	5.90	2.19	1.78	2.28	2.68	2.48	2.48	2.25	1.91	3.26	1.40	2.51	1.52
Cheese, Cheddar	7.13	5.43	3.97	5.93	9.57	3.02	6.09	4.89	7.69	11.43	5.69	6.94	4.79	6.23	5.37	5.53	6.08
Milk, whole, liter	.68	.43	.44	.58	1.40	.57	.54	.69	.45	.47	.68	.62	.56	.57	.46	.94	.67
Oil, cooking, liter	2.04	1.23	1.02	1.80	3.80	1.91	2.90	1.80	1.53	1.41	1.92	1.83	.83	5.18	.99	2.01	1.44
Tomatoes	1.84	3.71	.62	3.24	1.91	3.02	([4])	2.52	1.04	.47	2.18	2.44	2.66	4.95	1.79	2.26	1.08
Onions, yellow	1.07	1.32	.46	.71	.80	1.39	1.40	1.54	.52	1.34	1.07	1.29	.71	1.93	.79	1.81	1.30
Potatoes	.49	.41	.77	.22	.48	.70	.93	.42	.42	1.30	.44	.28	.31	.71	.16	2.12	.64
Apples	1.26	2.14	1.36	.95	1.15	.98	1.29	1.72	.91	3.14	1.48	.92	.71	2.01	.39	2.35	1.30
Oranges	.92	1.07	.56	1.03	1.28	.66	1.46	1.02	1.04	.44	1.26	1.21	.89	1.59	.79	3.21	.73
Bread, white, pkgd.	1.65	1.14	.96	.95	2.14	1.28	1.84	1.02	.97	.80	1.04	1.09	1.42	2.52	.77	1.73	1.52
Rice	.92	1.02	.55	.87	1.56	.95	1.69	2.75	1.13	1.37	2.35	1.26	1.02	1.71	.54	1.47	.99
Sugar	.97	.82	.44	.95	1.44	.57	1.48	.80	.63	.57	.78	.75	.76	1.06	.74	1.28	1.34
Coffee	6.21	8.26	2.94	6.01	10.21	13.03	7.07	9.51	5.74	4.39	6.78	6.34	6.41	6.75	3.93	14.04	5.49

Prices in this table may not be directly comparable due to differences in quality, packaging, and seasonal variations in supply. Food prices of selected commodities are obtained by U.S. agricultural conselors and attaches on the first Tuesday of every other month. Local currency prices are converted to U.S. prices on the basis of exchange rates on the date of compilation. Thus, shifts in exchange rates directly affect comparisons between time periods. The objective of the survey is to reflect the level of prices in other countries of items normally purchased by U.S. consumers. Exact comparisons are not always possible, since quality and availability vary greatly among countries. An attempt is made to maintain consistency in the items and outlets sampled, but they are not necessarily representative of those in the reporting countries.

[1]Kilogram = 2.2046 lb; 1 liter = 1.0567 qt. [2]March 3, 1981 price should read $1.76. [3]March 3, 1981 price should read $0.99. [4]Not available.

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Soviet Plan

Continued from page 19

ment of grain plans likely would push typical import requirements into the 30- to 40-million-ton range if an attempt were made to attain the livestock production goals. A poor crop in any year likely would push import needs to even higher levels.

The probability of exceptionally large import requirements in some years also has implications for the typical expected level of imports during the next few years. A prudent Soviet trade policy probably would maintain imports at close to capacity levels in most years in an attempt to acquire some grain reserves, which would help sustain feeding in poor crop years.

Soviet decisionmakers, no doubt, will undertake several measures to forestall the growth in feed demand for grain and to alleviate pressures to import. Herd improvement through improved breeds and other measures to increase animal efficiency and reduce feeding rates are a fundamental need of the Soviet livestock program. One measure to slow the increase in rates of grain fed is to accelerate the increase in production of forage crops and other roughage feeds. These crops, however, compete for fertilizer allocations and require investments in handling equipment and storage. A recent decree to stimulate livestock production on household plots may ensure some improvement in the efficiency of use of available feed.

Increased use of high-protein feeds could stabilize or lower the rates of grain fed by improving feed efficiency. A few years ago, one Soviet authority noted that the use of feeds with the proper protein and nutrient balance would lower feed expenditures on milk and beef by 25-30 percent and on pork by 20-25 percent. He noted that a ratio of about 105 grams of digestible protein per feed unit is desirable, compared with ratios in recent years of 90-95 grams. Little progress has been made in upgrading the protein ratio. Rapid gains in this area could be made primarily through increased imports of soybeans and soybean meal.

Finally, pressures to import grain could be lessened by restraining growth in livestock production below planned levels. Such a policy would continue suppressed demand for livestock products in the USSR, or generate other pressures to step up imports. In 1980, the USSR imported record levels of meat—820,000 tons—and butter—249,000 tons. These levels of trade make the USSR one of the world's leading importers of both products.

In addition to products related to the feed-livestock sector, the USSR increasingly has become a large net importer of agricultural commodities. Sugar imports likely will remain at high levels in the next several years, as consumption continues to edge upward. Vegetable oil imports have jumped sharply after several successive years of poor sunflowerseed crops. Rice imports have continued to trend upward.

In contrast, agricultural exports have slumped. Among the principal agricultural commodities, the USSR is a major force in world trade only in cotton exports.

U.S.-USSR Trade

U.S. trade with the USSR sank to abnormally low levels as a result of the partial embargo on agricultural trade announced on January 4, 1980—and now rescinded as of April 24, 1981. Soviet purchases of grain from other major exporters—Argentina, Australia, and Canada—likely will continue strong in the years ahead. U.S. exports of grain to the USSR, though, probably will regain the relatively high levels prior to the embargo, given the expected huge Soviet import requirements. One major uncertainty at this time is the future framework for grain trade, since the long-term U.S.-USSR Grain Agreement expires on September 30 this year.

U.S. soybean and soybean product exports to the USSR may well be stronger during the years ahead than before the embargo. The Soviets had made the first major soybean meal purchase from the United States when the embargo forced cancellation of the contracts. Pressures to boost supplies both of high-protein feeds and vegetable oils, together with poor sunflowerseed crops, likely will lead to substantial Soviet purchases of soybeans and meal—and, perhaps, soybean oil. U.S. exports of other agricultural products to the USSR still are quite limited, but important for a few commodities, such as hops, almonds, lemons, and tallow. Soviet interest in meat imports could stimulate poultry meat purchases. □